

# BUSINESS WEEK

JAN. 29, 1949



Malcolm P. McNair: His key question — How much are consumers willing to spend? (page 6)

BUSINESS  
WEEK  
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TWENTY-FIVE CENTS



## Would you work just for a tip?

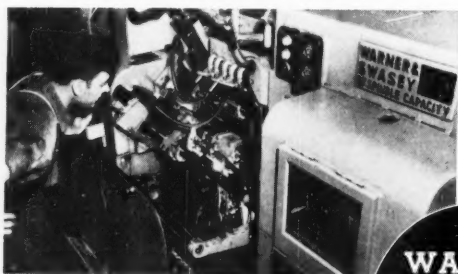
**W**AITERS aren't very happy about it if they don't get a tip of at least 10%. Corporations don't do as well as waiters.

In 1947 corporations earned only 5.6% on their total sales. Out of that 5.6% had to come money to improve the business (or soon there wouldn't be any) and cash to carry over hard times and, out of any money left, dividends to stockholders without which there would be no company at all.

Fortunately for American workmen, there is a growing group of labor leaders who realize they can best serve workers by helping corporations

operate at a profit. They know that only the profitable concern can provide more and better jobs, by investing in better equipment. Better equipment helps workmen produce more efficiently at lower costs. Lower costs broaden markets, make workers' jobs more secure, make the workmen worth more.

Where you see profits, you can be pretty sure there are intelligent workmen and managers working together. Where there are no profits, there is no hope nor future for workmen nor managers . . . there will soon be no company.



YOU CAN MACHINE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY TURRET LATHES, AUTOMATICS AND TAPPING MACHINES

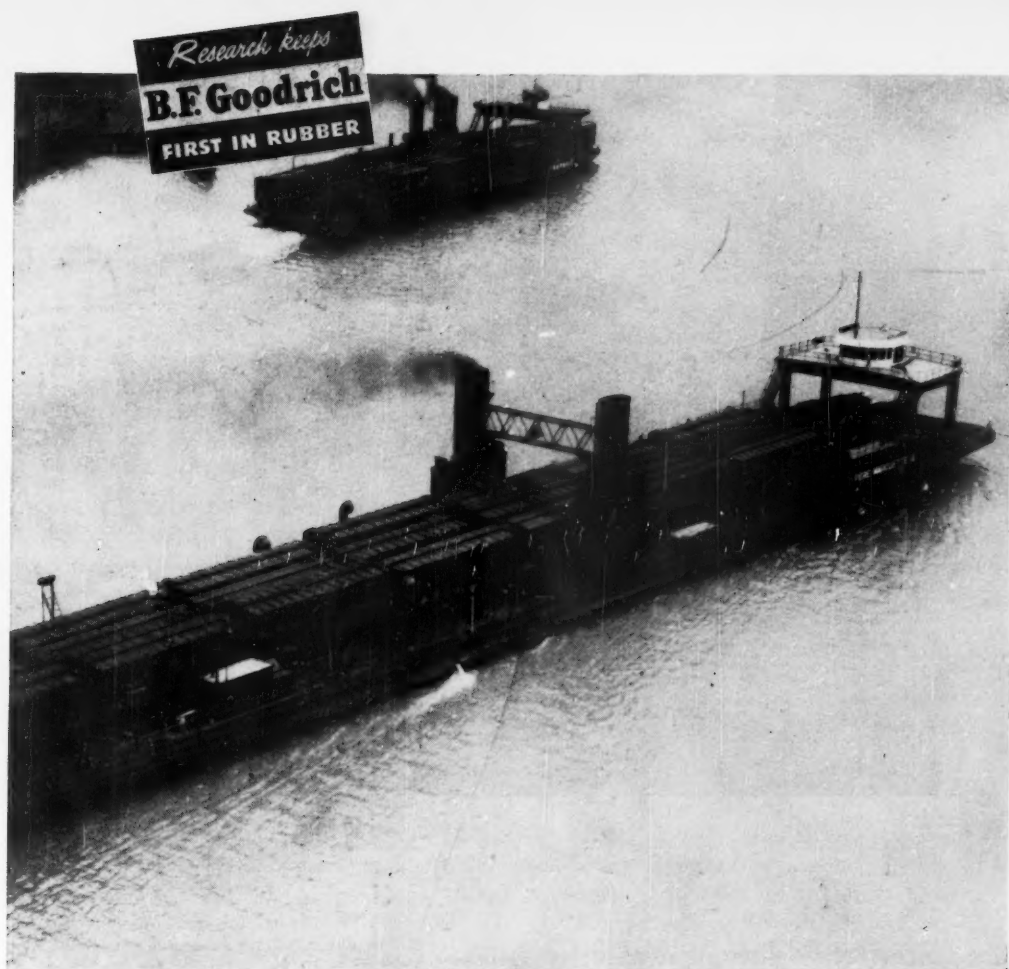


Photo courtesy Pere Marquette Railway

## A freight train that swims

*A typical example of B. F. Goodrich improvement in rubber*

**T**HAT long platform carrying a road-bed and tracks can take engines and twenty or more freight cars across the Detroit river. The four propellers driving it are each 10 feet wide on shafts nearly a foot thick.

Vessels like this used to have all kinds of trouble with bearings and propeller shafts. They stirred up clouds of sand and sharp particles from the river bottom that got into the bearings, wore down both bearings and shafts in a few months. Replacing them was a major

operation, cost a lot of money and days of lost time.

B. F. Goodrich men had developed a rubber bearing and a compound of soft rubber that takes the weight of the largest shafts in any ships built. Today it is used even in the biggest battleships. Sharp sand particles can't cut it and don't grind the shaft because they can sink into the soft rubber. In the Pere Marquette 12, above, there are four BFG bearings, one for each shaft. They'll last many times as long as the

ordinary hard-surfaced kind. In some kinds of service they have outlasted others by more than 15 to 1.

Product improvement like this goes on constantly at B. F. Goodrich. If you buy or use any rubber products — belting, hose or other industrial goods, don't be satisfied that anything you use is the best to be had until you find out what BFG may have done recently to improve it. *The B. F. Goodrich Co., Industrial Products Division, Akron, O.*

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Aids All  
Industrial  
Progress!

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A-C has just built the world's largest high-speed blower to deliver wind at supersonic speeds for newest aircraft testing tunnel.



**Progress in Design—**New A-C pump handles up to 40% solids... sets new high standards of reliability and service in mines, paper mills, many other industrial plants.

### Progress in Production—Allis-

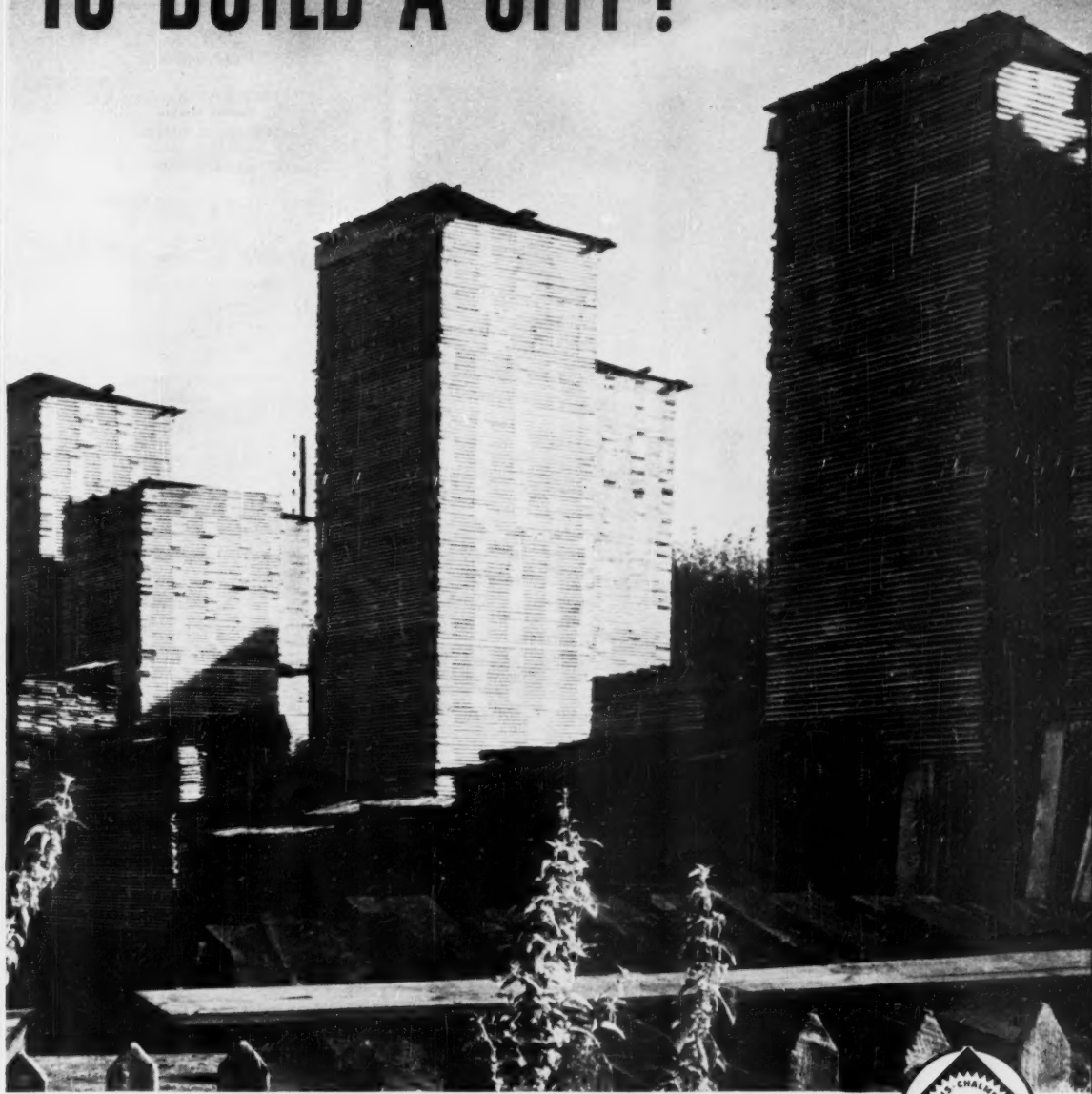
Chalmers' Induction Heaters greatly speed brazing, melting, hardening operations. One manufacturer now brazes 8 compressor fittings simultaneously in less than a minute. Formerly a slow one-at-a-time operation.



**Progress in Research—**A-C has U. S. A.'s first Betatron radiation laboratory for industrial radiography —X-raying forgings, castings, welds—steel up to 20 inches thick.



Y **TO BUILD A CITY!**

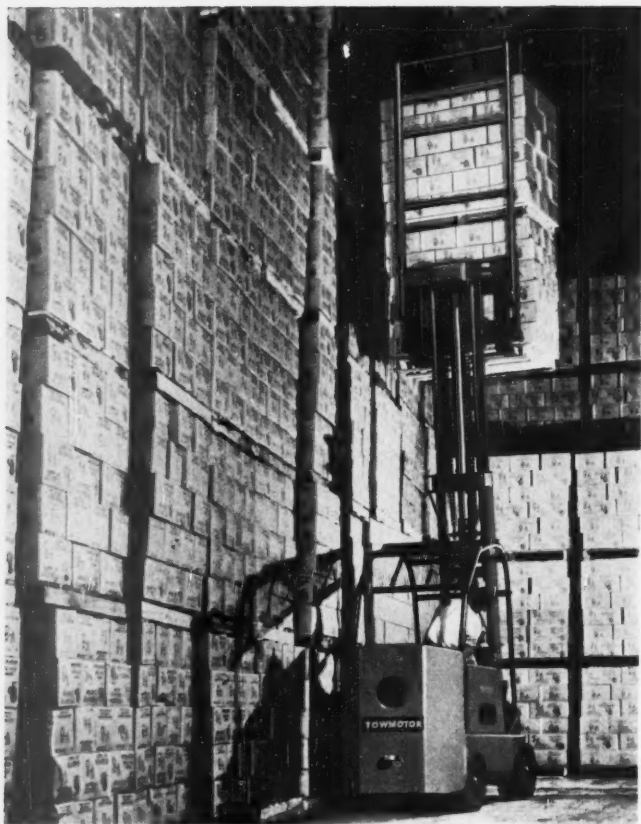


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BUSINESS WEEK • Jan. 29, 1949

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## THE COVER

Production pipelines have pretty well filled up. That means that what happens to the U. S. economy from now on is going to depend more and more on how well the retailers do. If they can keep the goods moving off their shelves and into the consumer market, the change in the economy will be no more than a healthy leveling-off. If they can't it might mean serious trouble for the whole country.

• **Retailers' Friend**—One man who is campaigning to teach retailers how to keep their goods moving is Prof. Malcolm P. McNair, head of the marketing department at the Harvard School of Business Administration. McNair points out that U. S. goods are generally manufactured by machine, while they are still distributed by hand. Closing the gap is essential to a sound economy.

The professor has two suggestions for narrowing the gap: (1) mechanize distribution equipment; and (2) improve and develop personnel. McNair says that efforts to replace distribution labor with machinery are still very limited. McNair's crusade is to get both ideas into effective, widespread use.

• **Practical Scholar**—McNair might be described as a "practical scholar." Born in Dansville, N. Y., in 1894, he got a B.A. degree at Lehigh University, an M.A. at Harvard. He stepped from classroom to faculty at Harvard, rose from instructor to professor of marketing. He is a member of the American Marketing Assn., a director of John Wanamaker Co., New York; of Ed. Schuster & Co., Milwaukee; and of the Cambridge (Mass.) Trust Co.

McNair plays as hard as he works. He has a gentleman's farm in Madison, N. H., likes to hunt, fly-fish, and canoe in the Maine woods. His two sons, Malcolm P., Jr., and Robert E., followed their father's footsteps through Harvard. They are now competitors: Malcolm works with General Electric, Robert with Westinghouse Electric.

—For story on condition of the U. S. market see page 21. Photo by Gordon N. Converse

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PRIOR MONTH'S SALES

AMOUNT OF INCREASE  
÷ PRIOR SALES

12.8% INCREASE

**TYPICAL PROBLEM:  
INVOICING**

4 DOZ. @ \$4.95/DOZ.

15 ITEMS @ \$1.45 EACH

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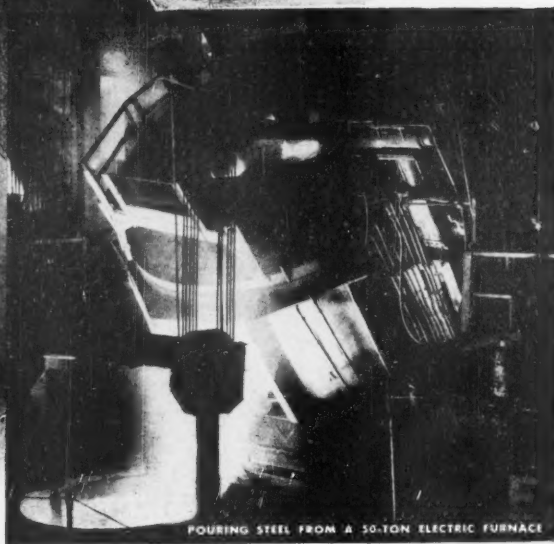
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INDUSTRIAL DEPARTMENT

General Office

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# BUSINESS OUTLOOK

BUSINESS WEEK

JANUARY 29, 1949



Directors of "Big Steel" gave the boom their vote of confidence this week. This took the form of a nice extra dividend and a stock split-up.

Of course, U. S. Steel—like the rest of the steel industry—is sailing along on record business. Small wonder its board should feel generous; Armco, too, boosted its dividend a few days earlier.

But liberal dividends aren't confined to steel. Companies ranging from foods to toys and adding machines have upped rates of late.

Sour note: Despite preponderantly favorable dividend news, U. S. Lines, Cherry-Burrell, and National Container reduced their payments.

Highlight of the business situation is steel production, with records being broken week after week.

Output is scheduled at 101.1% of capacity this week. That's up a full percentage point from the preceding week; it means production of 1,845,400 tons (at present capacity of more than 96-million tons annually).

It's not impossible to keep output above rated capacity for short periods. "Rated capacity" has some leeway in it for repairs. That's the principal reason that output can be pushed above 100%.

But output can't stay up there indefinitely. The whole steelmaking structure is strained. Serious breakdowns are invited.

Steelmaking is at top speed mainly in an effort to catch up with demand sooner or later. If it comes sooner, steel men will be just as glad; that would spike the guns of lack-of-capacity critics in Washington.

Some business indicators aren't as robust as steel production.

Even autos, with the big order backlogs, are below the 1948 high. Last week's output is estimated at just under 115,000 cars and trucks. That's very good, but it's some 10,000 units short of 1948's postwar high.

Model changeovers will continue to limit output. After the changeovers, availability of steel will tell the story.

Nevertheless, output has been intentionally slowed on a few cars—Lincolns and Mercurys, Kaisers and Frazers (BW-Jan. 15 '49, p10).

Electric power production tells an inconclusive story of demand.

Gains last summer and fall averaged a good 10% above year-earlier levels. But the rate of gain began to taper off in November.

Thanksgiving, Christmas, and New Year holidays distorted the figures. But a new tapering now appears under way: First week of January was up 8.8%; second week, up 6.6%; third week, up 6.1%.

Of course, whopping gains over a year ago couldn't have been expected to go on indefinitely. Just the same, the decline in power demand coincides very significantly with the period of scattered layoffs.

That's why it may merit more than ordinary attention.

Railway freight traffic fell below boom proportions some time ago.

Carloadings followed an erratic but not alarming course through the summer. There was nothing that couldn't be attributed to some slight loss of traffic to the trucks.

In October, the declines from year-ago levels became more emphatic. In December—and so far in January—loadings are off 8% to 9%.

The sharpest traffic decline has been in less-than-carload-lot freight;

# BUSINESS OUTLOOK (Continued)

**BUSINESS WEEK**  
**JANUARY 29, 1949**

this is the stuff that most readily is shifted onto trucks. But the l. c. l. dip could also mean less buying by merchants.

Railroads aren't likely to face freight car shortages again any time soon. The lower traffic volume is one reason. Another is that deliveries of new cars finally are running ahead of junkings—102,737 vs. 81,659 last year. In 1947, they bought only 63,312 and took 71,331 out of service.

Metal supplies are just the least bit easier than they have been.

This is true in lead where storage battery output is off fairly sharply. Replacement batteries for autos, in particular, are in supply.

And, despite the strike that continues to tie up Kennecott's giant open-cut mine in Utah, demand for copper is a little less pressing.

Biggest threat to metal supplies right now is the military stockpilers' announcement that they are going to enter the open market.

For a long time, the White House has restrained them from competing with civilian demand. Their takings have been at a minimum.

But now, says Donald F. Carpenter, chairman of the Munitions Board, It may be necessary in some cases to cut into supplies "so that the country will not be dangerously short of critical materials later, should there be a national emergency."

Henry Kaiser was joined this week in his denunciation of Regulation W by the National Automobile Dealers Assn., meeting in San Francisco.

But the deepest-seated gripe probably is that of appliance dealers.

The high down payment in time sales is what hurts. This cuts off "impulse sales," they complain.

In the old days, the housewife spied a washing machine on the floor. The dealer demonstrated, and said, "For a small down payment, it's yours."

The machine was delivered almost for nothing. It was in the home before the housewife changed her mind—or the old man changed it for her.

Now the rules put the down payment at 20%. Most women don't carry that kind of cash in their pocketbooks. Enthusiasm cools before the dealer has a chance to follow up on the sale.

Department stores, with a 6% rise, did better than most retailers in December sales gains over 1947.

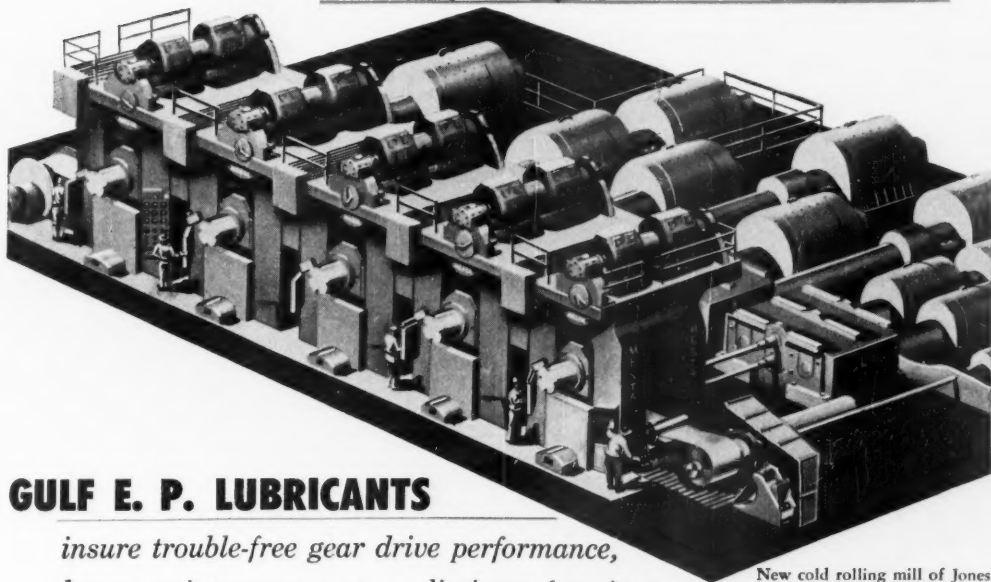
Total sales of independent retail stores were up barely 1% for the month. Apparel stores were down 2%, jewelry 6%, furniture 4%.

The way retailers stopped adding to inventory in November is shown up in wholesale figures. Full-line dry goods wholesalers' sales were 7% below 1947; inventories rose 30% to 71-days' supply against 50-days' in 1947.

Says one Wall Streeter who makes a specialty of studying corporations' new orders: "There is only one thing in America today for which new orders are outstripping production—a new Chevrolet."

That's too broad a statement, obviously. Just the same, it expresses most manufacturers' feelings about their vanishing backlogs.

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*insure trouble-free gear drive performance,  
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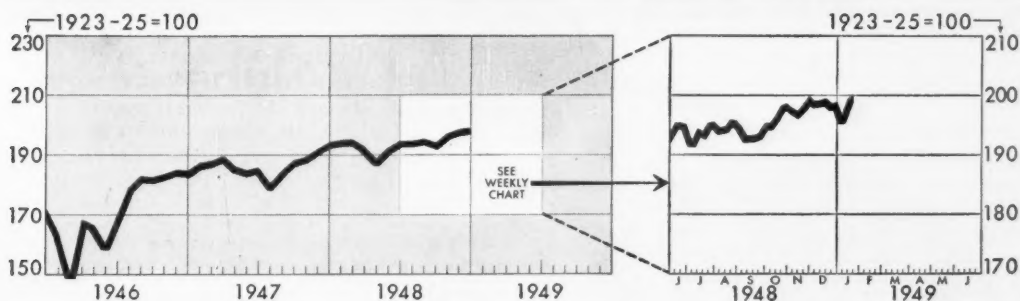
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## FIGURES OF THE WEEK



## Business Week Index (above)

\$ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
*200.1	†199.5	198.7	195.8	162.2

## PRODUCTION

Steel ingot operations (% of capacity).....	101.1	100.1	97.3	95.2	97.3
Production of automobiles and trucks.....	114,247	+112,587	94,668	110,774	98,236
Engineering consent awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$23,576	\$17,990	\$21,873	\$16,150	\$19,433
Electric power output (million kilowatt-hours).....	5,769	5,727	5,508	5,436	3,130
Crude oil (daily average, 1,000 bbls.).....	5,419	5,428	5,641	5,336	3,842
Bituminous coal (daily average, 1,000 tons).....	1,980	+1,931	1,886	2,180	1,685

## TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	73	73	77	81	86
All other carloadings (daily average, 1,000 cars).....	49	48	49	54	52
Money in circulation (millions).....	\$27,763	\$27,919	\$28,560	\$28,211	\$9,613
Department store sales (change from same week of preceding year).....	+6%	+8%	None	+4%	+17%
Business failures (Dun & Bradstreet, number).....	142	127	116	109	228

**PRICES (Average for the week)**

Cost of Living (U. S. Bureau of Labor Statistics, 1935-39 = 100), Dec. ....	171.4	172.2	167.0	105.2
Spot commodity index (Moody's, Dec. 31, 1931=100).....	388.3	390.6	395.6	447.5
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	278.5	279.3	278.1	287.6
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	302.8	307.4	313.7	414.8
Finished steel composite (Steel, ton).....	\$97.77	\$97.77	\$95.50	\$78.41
Scrap steel composite (Iron Age, ton).....	\$40.58	\$40.92	\$43.00	\$40.83
Copper (electrolytic, Connecticut Valley, lb.).....	23.500¢	23.500¢	23.500¢	21.500¢
Wheat (Kansas City, bu.).....	\$2.24	\$2.27	\$2.27	\$3.04
Sugar (raw, delivered New York, lb.).....	5.68¢	5.70¢	5.64¢	5.65¢
Cotton (middling, ten designated markets, lb.).....	32.91¢	32.55¢	32.25¢	34.51¢
Wool tops (New York, lb.).....	\$1.701	\$1.692	\$1.695	\$1.884
Rubber (ribbed smoked sheets, New York, lb.).....	19.17¢	19.20¢	19.00¢	21.18¢

## FINANCE

90 stocks, price index (Standard & Poor's Corp.)	122.5	121.9	120.6	114.2	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's)	3.44%	3.47%	3.51%	3.53%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's)	2.70%	2.71%	2.77%	2.86%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average)	14-13%	14-13%	14-13%	14%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	14-13%	14-13%	14-13%	14-13%	4-3%

**BANKING** (Millions of dollars)

Demand deposits adjusted, reporting member banks	47,670	47,519	47,928	48,970	+127,777
Total loans and investments, reporting member banks	62,879	62,596	63,141	65,530	+132,309
Commercial and agricultural loans, reporting member banks	15,414	15,415	15,614	14,761	+16,963
Securities loans, reporting member banks	1,639	1,772	1,963	1,470	+11,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks	33,749	33,324	33,455	37,886	+115,999
Other securities held, reporting member banks	4,181	4,185	4,148	4,250	+14,303
Excess reserves, all member banks	910	950	710	993	5,290
Total federal reserve credit outstanding	22,840	23,193	24,221	22,727	2,265

\*Preliminary, week ended January 22nd.

†Revised

<sup>‡</sup>Date for "Latest Week" on each series on request.

♦♦*Estimate* (BW—Jul. 12 '47, p 16).

York "sells"



Television  
Tubes



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The secret of popularity of many nationally known products lies in the care under which they are manufactured. Air conditioning and refrigeration play an important part in maintaining uniformity and high quality—both during and after production.

Producers of consumer and industrial goods, bearing the trademarks illustrated here, depend upon York equipped air conditioning and refrigeration installations for correct atmosphere control.

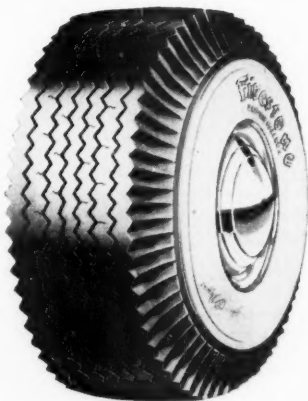
If, in your business, refrigeration or air conditioning can help "sell" a product by making it better, the

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- 3—York research—already responsible for so many important advances—has been accelerated and intensified... an assurance of the lasting value of York equipment.

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Tires



Tractors

# WASHINGTON OUTLOOK



**TRUMAN'S WORLD DEVELOPMENT** scheme marks the emergence of this simple idea: You don't beat communism just by opposing it; you have to outdo it.

Truman is saying: We outproduce communism here; let's transplant our technical brains and industrial skills so the rest of the world can do the same.

Up to now, our way of fighting the cold war has been containment of Russia, shoring up of the West.

In Greece, we were forced to act to fill a vacuum after the withdrawal of British troops. This meant underwriting the status quo, like it or not.

When Molotov spurned Marshall's Harvard speech inviting the East and the West to join the Marshall Plan, the plan was reduced to bolstering our traditional friends and our trading partners.

Through all this, Truman has had a nagging feeling that U. S. policy was pretty negative—perhaps necessarily so. The State Dept. has been like the merchant who limits his operations to nursing established customers, leaving new markets to the competition.

Now Truman suggests we put on an aggressive campaign to sell our way of doing things in the underindustrialized areas (page 19).

In other words, he says: Write in for a free sample. Let us give you a home demonstration.

By that he has in mind teaching South America to plant hybrid corn, showing Arabia how to irrigate, promoting power development on African waterfalls, developing metal-working facilities for Indonesian ores.

We would send the technicians to show them what to do and how to do it; we would arrange for the capital and help rustle up the machinery.

Truman's inaugural speech pronouncement is just a vision—now.

There is no plan, no spelling out of who does what or how. Truman doesn't even know whether he needs legislation.

The statement stems from the President's desire to use Inauguration Day as the stage for charting something new and bold for his own four-year term.

He saw himself challenged to produce an idea to match the expectations of people around the

world. He had laid out his domestic new New Deal in his State of the Union message to Congress. Simply to restate the phrases of past foreign-policy papers would be to let a dramatic opportunity slip by.

This idea for leasing out our system fit the bill.

Pieces of it had been kicking around Washington for a year or so. The State Dept. toyed with it once. McCloy's World Bank had talked this kind of thing. So did Sir John Boyd Orr and Norris Dodd of U.N.'s food organization.

Clark Clifford was the man who crystallized it on paper for Truman.

What Truman had to decide was whether to spring the idea Inauguration Day, or wait maybe six months for the details to be filled in. He liked the thing so well he decided it just couldn't wait.

So, what comes next?

There is a study group under Acheson's wing to take Truman's speech and make a program out of it. Willard Thorp, Assistant Secretary of State for economic affairs, is in charge.

Its job will be to figure out answers to such questions as these: How much inducement will investment capital require? How much government money? Should there be a big new government agency? How much U.N. participation should be written in?

It will be weeks before you can expect any answers.

**THE NEW LABOR LAW** is beginning to shape up. Here's a progress report:

You can figure on having the new rules in time for the big bargaining talks. That means by early May.

The legislation will come in a single package—even though Senate Labor Committee Democrats this week formally "resolved" that Taft-Hartley is now "repealed." Their purpose: to limit hearings to what Truman wants tacked onto the Wagner act.

The timetable calls for closing Senate hearings Feb. 10, House hearings Mar. 1. This forces Taft to make his fight to salvage what he can of Taft-Hartley during the Senate floor debate. But the schedule assures a bill on Truman's desk by Apr. 30.

Taft will limit his real defense of T-H provisions to those on which he can win over a fair number of Democrats.

The prospect now is that you will have to sign

# WASHINGTON OUTLOOK (Continued)

an affidavit swearing you are not a Communist—the same as union leaders—before you can do business with the National Labor Relations Board.

Chances are improving that employers will keep the right to bring some unfair practice charges against unions.

The pressure against continuing the government's injunction weapon for national emergency strikes is building up. C.I.O. is dead set against any kind of labor injunction. And Truman no longer is so sure he needs it.

So there is talk of bringing back plant seizure as a substitute for injunction.

**WHAT IF RUSSIA** were to lift the Berlin blockade—or pull something equally dramatic to follow up the current rash of Communist "peace propaganda" (BW-Jan. 22 '49, p115)?

State Dept. policy-makers concede they would be caught off balance by any such move. Actually, even a much less significant pull-back would be upsetting.

Reason: The State Dept. feels it has been burned too many times before by Russia's on-again-off-again "let's be friends" talk. So officials haven't bothered to work out what they would do if Russia picked up our challenge to match her peaceful words with deeds.

More than that, they wouldn't cotton now to Russian deeds any more than Russian words.

Rather, they want to rebuild western Europe to where it could fend off Russia. Only then do they believe it would be safe to resume serious talk of a settlement. As Paul Hoffman says: When Europe is strong enough, Russia won't dare attack.

It's the timing that disconcerts the State Dept. in the recurrence of the "let's be friends" talk.

Congressional debate on the North Atlantic Community treaty and on military aid to Europe is just ahead. And the State Dept. is jittery that Russia may do something aimed at influencing the votes.

**A COLUMBIA VALLEY AUTHORITY**, to take over northwest power development along TVA lines, is given a 50-50 chance by its congressional sponsors.

They feel that Truman's endorsement this week gives the plan the push it needs—unless CVA is sacrificed in a deal to get through more important parts of the Truman program.

Sponsors of the authority scheme think they could move ahead faster on their own than by con-

tinuing to depend upon Congress for money. Unlike TVA, however, the CVA bill gives officials of the northwest states a voice in authority operations—a necessary difference in an area where local water rights are vital.

**WHAT'S AHEAD OF THE TAX BILL** on the congressional calendar?

The way Chairman "Muley" Doughton has scheduled the work for his House Ways & Means Committee, the answer is: practically everything.

This week the committee took up Truman's request for a three-year extension of the Reciprocal Trade Act.

Next will come hearings on broadening social security, including Truman's proposal to jack up the payroll tax to 1½% on July 1. This will take considerable time.

After that, extended hearings are listed on the bill for compulsory health insurance.

Finally, then, comes tax legislation.

Doughton's reason for this schedule is to keep his committee occupied until he is ready to take up taxes. And he won't be ready until he pretty well knows what government expenditures are going to be, gets a good look at the March bulge in Treasury receipts.

**THE ATOMIC ENERGY COMMISSION** still is deciding how much to tell you about how safe you are from radioactive wastes.

AEC held a two-day session this week to pass out unrestricted information on its methods for disposing of poisonous materials at its plants. Meetings were limited to 35 screened sanitary engineers named to represent their professional groups.

You can get an AEC-prepared digest of what was said.

• Speculation that former Under Secretary of State Lovett may soon succeed U. S. Ambassador Caffery at Paris is making the French embassy people happy. They feel Lovett knows French problems better than anyone they could expect to be named.

• ECA is working on a way to by-pass U. S. banks in financing Marshall Plan shipments. European nations have been griping at the cost of letter-of-commitment financing, which now totals over \$1-billion.

• Two of Speaker Rayburn's Texas colleagues will steer more than half of Truman's record-sized budget through the House. Rep. Mahon heads up the appropriations subcommittee on the military, Rep. Albert Thomas the group handling veterans and sundry government agencies.

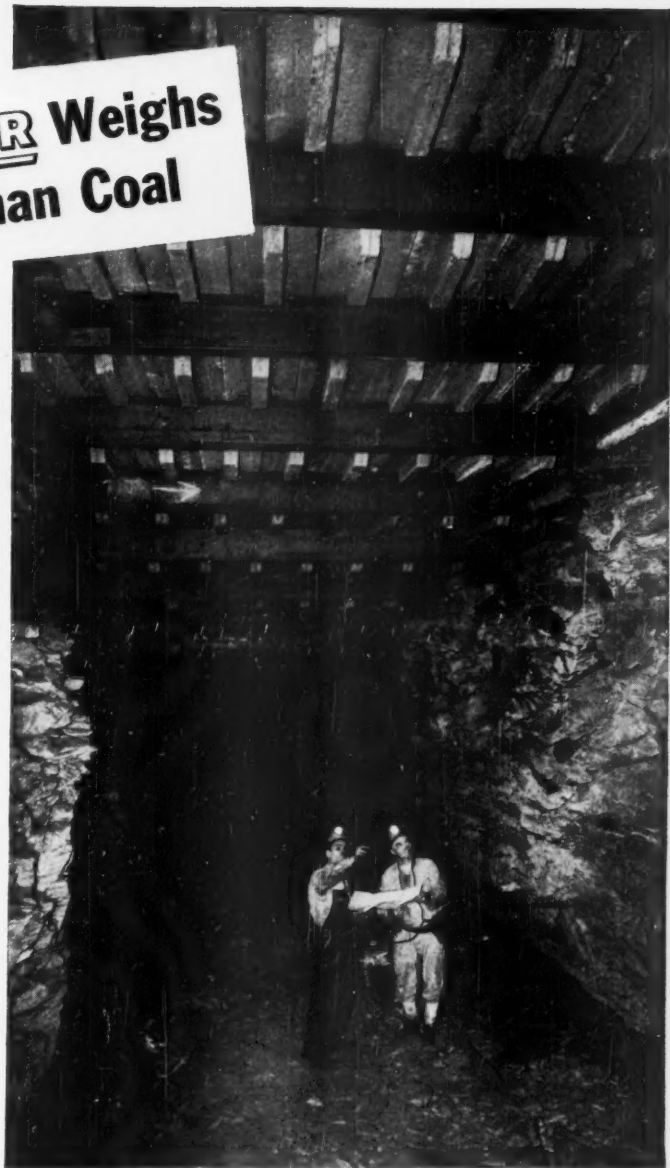
# Where AIR Weighs More than Coal

In modern coal mines, for ventilating purposes alone, more tons of air are pumped in each day than tons of coal brought out!

To bring fresh air into mines and exhaust it again at the surface calls for a tremendous investment in construction and equipment—as the ventilating “overpass” shown here clearly indicates.

Blasted out of solid rock, roofed with steel beams and concrete slabs, it carries intake air over the mine haulage way which also serves as a giant exhaust duct.

Developments like this are typical of the improved conditions under which modern miners work . . . and indicate, too, the extent of the industry's billion-dollar, three-year mine modernization program.



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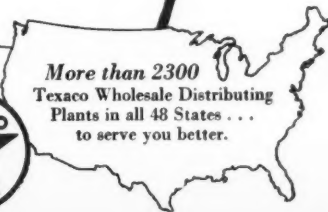
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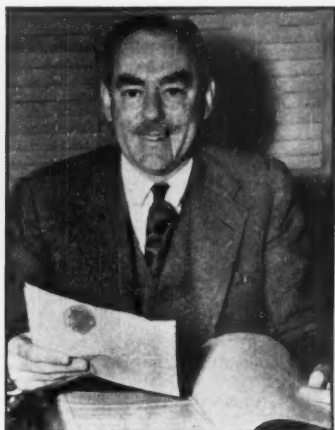
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BIG NAMES LIKE World Bank president McCloy (left), Secretary of State Acheson (center), and U. N.'s Dodd (right) will back the . . .

## New U.S. Foreign-Investment Plan

Program outlined in Truman's inaugural address would help backward areas, balance U. S. exports after the Marshall Plan.

The United States plans to do for world trade in this century what Britain did in the 19th—with a big difference in aim and technique. American investments in backward countries is what Truman is counting on, after the Marshall Plan, to prop up western Europe's economy and U. S. exports. There's a large spot in the scheme for American private business—if it is willing to take part without expecting a huge profit.

• **Point 4**—This is the real meaning of the President's inaugural address, in which he said: "We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas." In effect, he promised the countries of Southeast Asia, Africa, the Middle East, and Latin America that the U. S. stands ready with money and know-how to build up their economies.

For the moment, Point 4 is no more than an idea. Truman has no program and probably won't have one for about six months. But the essence of the "Truman Plan" seems clear enough: Pump into the world's underdeveloped areas an investment of \$1.5-billion to \$2-billion a year in public loans and private money. This is definitely not a short-term proposition; it looks ahead

through the '50's to the '60's and '70's.

• **The Methods**—Here are some of the methods that are sure to be used to turn the trick:

- Increased lending to backward areas by the World Bank and the U. S. Export-Import Bank.

- Formation of "know-how teams" (chiefly of American technicians) under the World Bank or U. N.'s Food and Agriculture Organization. These teams would help plan agricultural and industrial development.

- Encouragement for American private capital to go into the same areas on an equity basis. Some form of guarantee mechanism—going beyond ECA's convertibility guarantee—would be set up by Congress. Treaties guaranteeing fair treatment of U. S. capital would be needed to supplement this guarantee.

- U. S. support for international commodity agreements to help stabilize trade.

- The U. S. may extend the term of its stockpiling program from five to 10 or 15 years to encourage production of strategic materials.

- **The Brains**—The big names behind this policy include Secretary of State Dean Acheson, World Bank president John J. McCloy, director general of U. N.'s Food and Agriculture Organi-

zation Norris E. Dodd (Dodd was formerly Under Secretary of Agriculture). It's their thinking plus Truman's own that generated the new policy.

### I. The Truman Plan

The four basic propositions of the Truman Plan are:

(1) Over the long run, the best way to fight Communism is to lift living standards in poverty-ridden areas.

(2) The Marshall Plan will not reach its goal; western Europe will still have a dollar deficit of more than \$1-billion in 1952-53, even if it cuts imports from the U. S. to the bone. American investment in western Europe's dependencies in Southeast Asia and Africa would provide dollars directly to the mother countries. It would also stimulate production of dollar-earning and dollar-saving goods.

(3) Under the present setup, ECA can't hope to get the strategic materials the U. S. needs. Foreign producers aren't ready to make heavy new investments without a guaranteed market in the U. S. that goes beyond the five years now provided for. A long-term buying program, plus a guarantee for U. S. investors, should encourage both foreign and American producers to take a second look at development possibilities.

(4) When the Marshall Plan ends, the gap between U. S. world exports and

imports can hardly be less than \$3-billion to \$4-billion. Then, unless more grants are made or U.S. investments fill a good part of this gap, U.S. exports will go down with a bump. This will hurt the whole U.S. economy. Our present export surplus has been troublesome up to now; it could be a real boon in the 1950's.

• **Intriguing Angle**—Another angle intrigues some Washington officials. It is the idea of getting in on the start of an inter-continental economic shift that seems to be in the making—the movement of western European populations and skills to Africa and Latin America.

Tied in with this view is the belief that U.S. capital—like British capital in the 19th century—must act as the generating force behind the expansion of world industry and trade.

• **The Catch**—But the catch is that the U.S. can't do the job in the same way Britain did. The British method was not to extend loans, but to export equity capital. This capital went abroad in the 19th century about on its own terms, returning handsome profits in good times.

Today foreign equity capital is suspect in almost every undeveloped country. U.S. companies now think twice before investing abroad, lest they get caught up in nationalistic restrictions.

## II. The Financing

That is one reason why loans from the World Bank and the Export-Import Bank will play such a big role in the Truman plan, especially in the first few years. They will be needed to prepare the way for a better investment climate in the backward areas—and to do some of the riskier jobs that private capital may never again be prepared to take on.

• **World Bank**—Actually president McCloy has been planning for several months to push his World Bank into the development-loan business. Today he has a high-powered mission at work in India looking into railway and agricultural development. Other missions are in Turkey, Colombia, and Peru. Bank officials are in London talking over a development loan for the British colonies.

The World Bank is figuring out another shift in its operations. About 75% of the \$470-million it had loaned up to mid-1945 was used for purchases in the U.S. Though in theory the bank did not "tie" its loans, some were made with the provision that the money had to be spent only in the U.S.

But from now on, the bank is likely to encourage the use of its dollar loans to buy in western Europe as well as the U.S. In this way the dollars could be used to help both the backward country and western Europe. The World Bank

looks forward to lending at the rate of about \$500-million a year.

• **Export-Import Bank**—As a lender, the Export-Import Bank is not likely to play as big a role as the World Bank. At the moment it has \$900-million it can lend. Current lending is at the rate of \$300-million a year. But the Export-Import Bank sticks close to conservative banking practice; and almost all its loans have been tied to purchases in the U.S.

However, Export-Import may take on a new function—the guarantee of private investments. In this case it would have the key role in encouraging equity capital to go into Latin America, Africa, and Southeast Asia. If the bank goes into this business, it would operate on a world-wide basis, take over FCA's convertibility guarantee for investments in Marshall Plan countries.

• **Insurance**—Here's the sort of thing the bank is considering in the way of insurance against the investment hazards which face U.S. companies abroad:

(1) Guarantees against war loss or loss of capital by expropriation.

(2) Guarantees that capital plus a reasonable profit would be convertible into dollars in the case of exchange restrictions. (ECA's present 14-year guarantee covers only up to the amount of the investment. If a company, say in 12 years, takes out in profits an amount equal to its original investment, then it has used up its ECA guarantee.)

• **Greatest Security**—The insurance against expropriation would probably please U.S. companies most of all. With the government committed to paying the bill, they expect better diplomatic protection for their whole operation abroad. This is where a new international charter for investments (or bilateral treaties) would come in.

## III. Private Investment

There's no telling what private U.S. investments abroad might add up to under the new Truman setup. In 1947 (last year for which figures are available) U.S. companies and individuals made direct investments abroad of a record \$666-million. But \$455-million of the 1947 total was for petroleum development in Latin America and the Middle East. Once this levels off, the over-all figure is bound to shrink.

But a rate of \$500-million a year in the '50's doesn't seem out of the way.

• **\$30-Billion Total**—Rough estimates of needs for capital in all these undeveloped areas add up to at least \$30-billion over the next 10 to 15 years—including \$8-billion for Latin America, \$6-billion for Africa, \$10-billion for Southeastern Asia.

Boiled down to essentials, the estimate would still come out at a sizable figure, comparable with the original \$17-billion figure for the Marshall Plan.

# Want Steel Scrap

Commerce Dept. asks for new "drive" by industry, despite recent improvement in supplies. But it has its reasons.

The nation is in for another "scrap drive." Last week the Commerce Dept. asked industry to scout around its plants for obsolete machinery and other useless metal to build up a scrap reserve.

• **Not Needed?**—At first glance, the new drive seems uncalled-for. For the first time since the end of OPA ceilings, the scrap market is softening. Prices have dropped a little, and supplies seem almost adequate.

In addition, the flow of scrap from abroad has picked up tremendously. In December, for instance, about 106,000 tons were brought in from Germany; German shipments are expected to run close to 100,000 tons a month through 1949 (BW—Dec. 18/48, p. 21). And a commission is in Japan now to find out if there is any scrap there which could be shipped to the West Coast cheaply enough to ease the region's scrap pinch.

• **Reasons**—Why, then, the new scrap drive? There are two answers:

(1) The official one, as announced by the Commerce Dept.—to build up a scrap stockpile;

(2) The underlying, more important one—to build up enough pressure on the scrap market to force the price down. Quotations today are around \$40 a ton; OPA ceiling was about \$20.

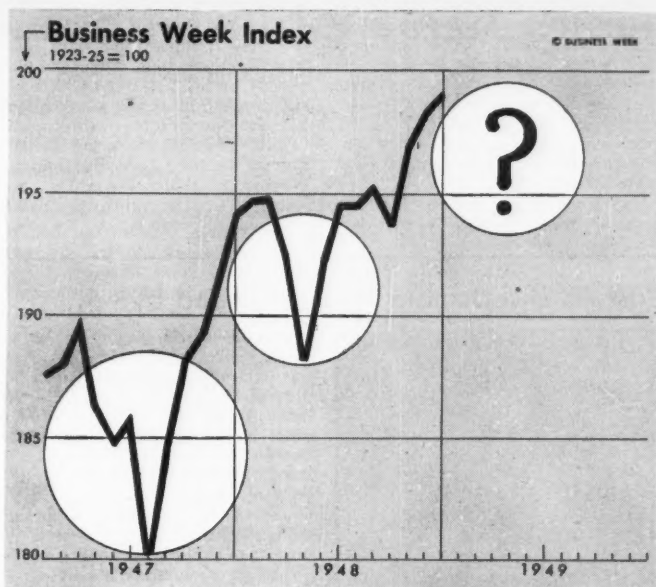
• **Prospects**—Actually, this idea isn't likely to meet with much success. Scrap supplies may improve some this year—but probably not enough to have much effect on the price.

Imports from Germany won't much more than balance losses in domestic scrap generation. The ship-breaking source, which has been yielding about 100,000 tons a month, will dry up by mid-1949. And government surplus scrap is just about nonexistent.

One factor that will affect the adequacy of scrap supplies: how heavily scrap is charged to steel furnaces by the industry. Steelmakers have been using more and more scrap in their melts; Scrap accounted for 53.3% of the charge last year, the highest since 1935.

• **Not Hard**—What Commerce is asking industry to do in the new drive isn't difficult. In fact, it makes a lot of sense. The idea is simply for plant officials to single out machinery which isn't being used, and which has no production value because of obsolescence and get rid of it.

And you won't have to give the stuff away, either.



## Another Spring Slump?

Businessmen are jittery. Seasonal drags look threatening at a time when the national economy is trying to switch from inflation to stability without stumbling.

Businessmen are jittery, uncertain. They realize there has been a basic change in the boom (BW—Jan. 1 '49, p19). The pipelines are full. Stories of layoffs have dotted the newspapers. Christmas sales—sour till the last week—gave every one a scare.

True, the BUSINESS WEEK index of business activity was at a new high this week. But businessmen are edgy: They feel that a test is coming. And it comes when, they suspect, a postwar seasonal influence is pulling things down.

• **Spring Testing**—For two years past, the late spring and early summer have proved more than a little trying. Economists, casting about for explanations, find two:

**SEASONAL PATTERNS:** Many soft-goods lines normally sag after Easter. This was almost forgotten during wartime shortages. It has reappeared as a postwar pattern; and it drags down the over-all index of business activity.

**TAXES:** Uncle Sam takes his big slice out of business incomes in the first quarter of the year. Before the war it wasn't the smacking percentage of national income it is in these days of \$40-billion-plus budgets and taxes to match.

Thus, as business moves toward its third postwar brush with seasonally retarding factors, the uppermost question is: "Are we strong enough to meet the test this time?"

• **Transition Period**—Even without the seasonal test, the business boom is in the midst of a showdown. Within the next few months it will have to demonstrate whether or not it can shift from an inflationary expansion to a more or less stable prosperity without falling on its face.

Shelves are stocked; new orders are filled as soon as they are placed. And consumers have restocked, too.

If the boom is to continue, current consumption has to match current production from here on. The problem of getting production and consumption adjusted so that they will sustain each other indefinitely is the underlying test that the U. S. economy now faces. The seasonal drags on business complicate the problem, but they aren't the main issue.

• **Double Test**—In many industries you can see evidence that the double test already is under way. Key symptom is the general uneasiness and pessimism among businessmen.

Layoffs have been increasing since the

turn of the year. Like the layoffs that showed up toward the end of 1948 (BW—Dec. 18 '48, p19), they are small. But taken together they show that demand for labor is easing up a little. And this means that the demand for goods also has eased.

Although retail sales are running ahead of 1948, it is taking special clearances at sizable price reductions to keep them there. In the critical lines, such as shoes, textiles, and heavy appliances, inventories are overloaded.

Carloadings are falling steadily behind 1948. Business failures are creeping up (page 23). The general price level has flattened out, and some prices are falling. Farm and food prices are at their postwar lows—down drastically from a year ago. And even the industrial commodities, which rose far more slowly, are leveling off.

• **Shifts**—All this means that important shifts are taking place within the broad pattern of high production and high consumption. These shifts can be hard on individual companies and individual lines. And if too many shifts come at once they could upset the boom itself.

• **Bad Time**—This basic transition is coming at a bad time from a business standpoint. Since the end of the war, the first quarter of each calendar year has proved a touchy one for business generally. Both of the previous periods of hesitation started during the first quarter.

In 1947, the trouble began with disappointing Easter sales and the abortive effort of big retailers to force down textile prices.

In 1948, the February break in the grain markets gave business a bad jolt. If it hadn't been for government price supports, that might possibly have been the start of a general recession.

• **Tax Bottleneck**—One thing that makes the first quarter a dangerous time is the way the federal budget works. The government's tax collections are bunched in the first three months of the year. During this time it is siphoning money out of the economic system at a terrific rate. For the rest of the year it runs about even or pays out more than it takes in.

This year, for instance, Treasury receipts will top expenditures by about \$4.5-billion during the first three months of the year. And this is in spite of the fact that the budget for the year as a whole will do no better than balance.

It's true that the big corporate businesses built up balances through the year to cover their first quarter tax liabilities. But the transfer of so much purchasing power to the government puts a strain on the economy just the same. For example, bank reserves feel the squeeze, even though the Federal Reserve System holds the bankers'

hands around tax time. If the banks don't like the looks of the business situation they may try to adjust their reserve position by cutting down commercial loans instead of by selling government securities.

• **New Year Psychology**—The first quarter also is a time when business sets itself new production and sales targets. If individuals and businesses feel uncertain or fearful they are likely to start off cautiously.

The danger this year is that the temporary drags on business during the first quarter will combine with the more basic adjustments in production and consumption to force a general drop in production and employment.

• **Big 10%**—Most economists would consider a 10% dip in business activity nothing more than a modest setback. But 10% would take the BUSINESS WEEK index down to 180 (it's now just over 200). And 10% would knock \$25-billion or so out of a gross national product of \$253-billion.

There's a brighter side to the picture, though. Once the first quarter is over, the government budget will be boosting business instead of dragging it down. Military spending will be rising in the second half of the year. And business outlays on capital equipment promise to stay high through 1949. That's a substantial backbone for the boom.

## Private Company Aims to Boost Northwest Power

Ever since the Federal government began to develop the power resources of the Columbia River Basin, private power capital in the Pacific Northwest has been in eclipse. The great generating units at Bonneville and Grand Coulee dams, and a vast network of transmission lines, have put the government far above any private competition. Still more dams are rising in the rivers or are on the drawing boards. But they're not being built fast enough to meet the West's voracious thirst for electric current.

• **New Private Company**—Last week, as a seasonal brownout dimmed Oregon and Washington, private capital emerged from its voluntary retirement. A newly organized Oregon corporation, Northwest Power Supply Co., announced plans for a \$12-million power dam on the Deschutes River near Madras, Ore.

Heading the new firm are Maj. Gen. Thomas M. Robins, Portland, president; Howard W. Turner, Madras, vice-president; and Hillman Lueddemann, Portland, secretary-treasurer. Robins, former division chief of the U. S. Army Engineers at Portland, was in charge of construction of Bonneville Dam.

Both the Oregon Hydroelectric Com-

mission and the Federal Power Commission must approve before the project can be undertaken. Other and possibly higher hurdles also lie ahead.

• **Relief by 1950?**—Earliest present prospect of substantial relief for power-hungry industry in the area lies in McNary Dam. It's now under construction, but isn't scheduled for completion before 1954.

Northwest Power Supply Co. proposes to get its two 37,500-kw. gener-

ators operating in time to cope with peak seasonal demands in the winter of 1950-51. Eventually it would add a third 37,500-kw. unit, bring total rated capacity to 112,500 kw.

Entire output of this plant is committed to three private power companies—Pacific Power & Light and Portland General Electric Co. at Portland, and Washington Water Power Co., Spokane, Wash. The construction will be independently financed.

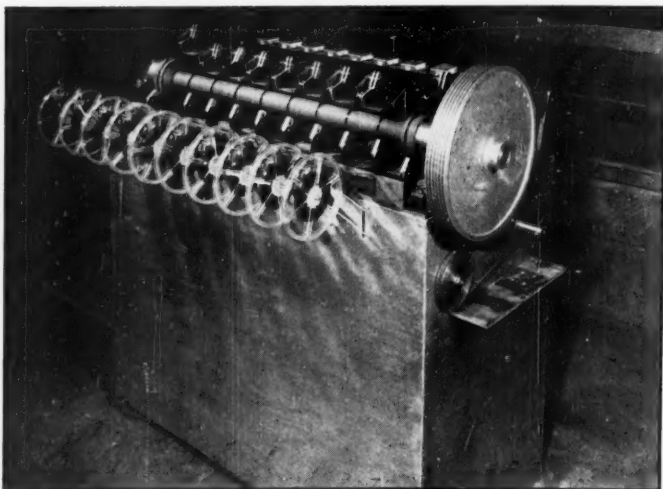
## Just As Disc Jumble Appears Ended by . . .



. . . New Scott  
3-Speed Player . . .

For phonograph record buyers and retailers alike, there was no end in sight this week to the confusion in the record market (BW—Jan. 22 '49, p. 82). For a moment there was a slight ray of hope. Scott Radio Laboratories, Inc., introduced a record player (left) that can accommodate itself to fit any of three types of discs now on the market. At one speed, one pickup arm on the turntable plays conventional 78-r.p.m. records; at two others, a second arm plays 33 $\frac{1}{3}$ -r.p.m. (Columbia) records; or 45-r.p.m. (RCA) discs. Already in production, the Scott player will be featured on the company's \$1,250 console model first, and on its \$595 model later.

Then Minnesota Mining & Mfg. Co. came out with a disconcerting note: It unveiled a machine (below) that reproduces recorded music on sound tape in multiple quantities. This gets over one of the biggest stumbling blocks that has stood in the way of mass-producing tape recordings—and putting them in competition with discs. Of course, disc players won't play the tape recordings.



. . . Multiple Tape Recorder Makes Its Bow



# Credit Tightens as Collections Slow

Steady climb of business failures, while not serious, also tells credit men which way the wind is blowing.

Wholesalers and retailers are going to find trade credit harder to get in 1949. In line after line, credit men are passing the same word to their staffs: Tighten up on terms; get after slow accounts; double-check new applications; don't let us get caught carrying somebody else's topheavy inventory.

• **Collections Slow**—There's good reason behind this new caution: From all over the country, credit associations report that collections have been slowing up. Fewer wholesalers and retailers are paying in time to take advantage of their cash discounts. More accounts are overdue. And bad checks and post-dated checks are cropping up more frequently.

The experience of S. J. Schneider, secretary-manager of the Louisville Credit Men's Assn., is pretty much typical. "Collections are slower," he says, "and more delinquent accounts are being placed for collection. The volume in our collection department is approximately 50% above one year ago."

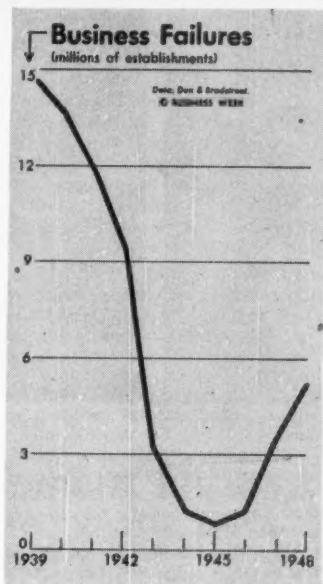
Inventories generally are heavy. And the lag in sales in many lines has left merchants with their money tied up in unsold stocks. Credit men got a bad scare during the early part of the Christmas season when retail sales ran disappointingly behind 1947. They have felt better since the final record-smashing week, but they aren't sure yet how many of their customers failed to turn goods into cash.

• **Failures Rise**—The number of business failures has been climbing steadily for the past two years. In 1948, an average of more than 100 firms a week folded up with some loss to their creditors. Even though that's still far below the prewar level, it is enough to make credit men wary.

A veteran New York credit executive says that one thing about today's failures especially bothers him—they are too complete.

• **Nothing Left**—"When we get there," he says, "there isn't a thing left for us. The fixtures are mortgaged. The receivables are hocked. Everything up to and including the office cat has been pledged as security for some sort of loan. Before the war, a company didn't wait that long to admit it was licked. Usually there were some assets left when it folded up."

One reason for this situation is that banks and finance companies are now willing to make advances against ac-



counts receivable. Before the war, receivables financing often was looked upon as a desperate last resort. But in the long years of easy money it has become a common practice.

• **Psychological Atmosphere**—Another reason is the psychological atmosphere of the past few years. Businessmen have been in a sellers' market for so long that many have forgotten how to cut their losses when the going gets tough. They hang on with their teeth, hoping things will take a turn for the better. And when they finally do give up, there is nothing left.

Usually the small proprietors are the ones who make this mistake. But big companies can fall into the same trap. In fact, some credit men say that, as a rule-of-thumb, the bigger a firm is the closer you should watch it. Small companies, they say, have to be good or get out of business. But a big company can hang on for years, getting in deeper and deeper all the time.

• **Whole Lines Hit**—In some lines, it isn't only the shaky firms that are having trouble. The slump in textiles, for instance, has tied up credit all through the industry. Hardest squeeze is on the garment manufacturers, who usually work with small capital and great hopes. Many of them are quietly asking their suppliers for more time to settle their accounts—"asking for dating," the trade calls it. Credit men who watch textiles predict that it will take approximately six months to clean up the present inventory situation.

Credit men also are worried about shoes, foods, electrical appliances, and, in some areas, furniture.

• **Sore Spots**—Otis H. Walker, secretary of the Credit Managers Assn. of Northern and Central California, says: "The sore spots around here, creditwise, are small groceries—the Mom and Pop stores—and small restaurants; also luxury lines, such as furs and jewelry, especially in the lower brackets."

James S. Cox, executive manager of the Chicago Assn. of Credit Men, adds confections companies to the list. And several areas report trouble in the vending machine business.

With these examples fresh in their minds, credit men generally are tightening up on their terms. The drug and cosmetic trade, for instance, is trying to shorten up the time allowed for payment. Credit managers in all lines are demanding more information and turning down more applications than they were a year ago.

• **Subsurface Tightening**—Sometimes the tightening process doesn't show on the surface. A midwestern credit man reports that he hasn't changed his terms, but "I am holding the customers to just what it says on the bill. It used to be I'd let a man with a 30-day credit run 60 days or maybe even 90 days. Now if he goes past 30, I swarm all over him."

Tighter policies often bring the credit manager into head-on collision with the salesmen. When business slows up, the sales staff wants to give easier credit. The credit manager usually wins these arguments, but not always. Sometimes the top management would rather get its product distributed first and worry about payment later.

• **Enough Sail**—Most credit men think they already have taken in enough sail to weather a modest business recession without great damage. The industry-by-industry readjustments that cropped up during 1948 gave them plenty of warning. And at the same time, these readjustments squeezed a lot of the water out of the industries they hit.

Credit men generally would agree with Harry F. Boswell, secretary-manager of the Richmond association. He says, "Credit probably has been extended a little too freely for comfort. But all credit now outstanding in this area could be liquidated—with time."

• **Selectivity**—But they also would agree with the terse comment of a Chicago executive: "These industry recessions have given us a highly selective situation. As long as it stays selective, things won't be bad, businesswise or credit-wise. But if too many industries are hit by recession at the same time, it will be just too bad."

## More Postage?

**Increases in postal rates, especially on third- and fourth-class mail, on way. Fight looms over hikes on second class.**

It looks as if you will have to pay a higher mail bill—for the second time in 1949. In the next fiscal year (which starts July 1), the President and Congress would like to see the Post Office Dept.'s books in better shape than they now are.

The Post Office ran up a record \$309-million of red ink in its 1948 fiscal operations. The estimated loss on its current fiscal year is upwards of \$500-million. And that takes into account additional revenue from new rates put into effect this month.

The only question—now being threshed out by Postmaster General Jesse Donaldson and Congress—seems to be where rate boosts are to fall.

• **Losses by Class**—The classes of mail service on which the department lost most money in fiscal 1948—and are in line for the biggest rate pressure—are:

**SECOND-CLASS MAIL** (magazines and newspapers), \$152,665,801 loss; \$74,226,249 on newspaper mailings, \$46,551,159 on magazine mailings, and \$31,888,393 on special-rate (religious, educational) magazine mailings.

**THIRD-CLASS MAIL** (bulk shipments, eight ounces or less), \$86,681,326.

**FOURTH-CLASS MAIL** (bulk shipments—including parcel post, books, catalogs—over eight ounces), \$76,094,786.

**AIRMAIL**, domestic and foreign, \$54,831,132.

**SPECIAL SERVICES** (money orders, special delivery, registry, etc.), \$42,262,369.

• **Touchy Category**—For years, both the Administration and Congress have shied away from upping second-class rates. But this year, Washington appears set for a real drive to put across second-class rate boosts.

This was first signaled in the President's budget message which commented: "While the national interest in disseminating information justifies some preferential treatment for periodicals and other second-class matter, there is no sound basis for the extremely low rates now in effect."

• **Alternative**—Congress has one alternative to major magazine and newspaper

mail rate increases. That would be to shove the burden of supplying additional revenue onto other mail services—or, of course, to let the deficit ride.

The President's budget called for postal rate increases for the coming fiscal year of \$250-million. This is considered a minimum. It would still leave the department with an estimated deficit for the year of \$200-million to \$300-million.

• **Shape of Increases**—Following is the outlook for increases by categories:

**First-class mail:** An increase in the 3¢-an-ounce rate is unlikely. But an increase in the postal card rate from 1¢ to 2¢ is probable. (First-class mail is the department's only major profit operation, showing a 1948 fiscal year profit of \$154,308,612.)

**Second-class mail:** There will be a real fight here, but a chance of Congress' boosting the rate.

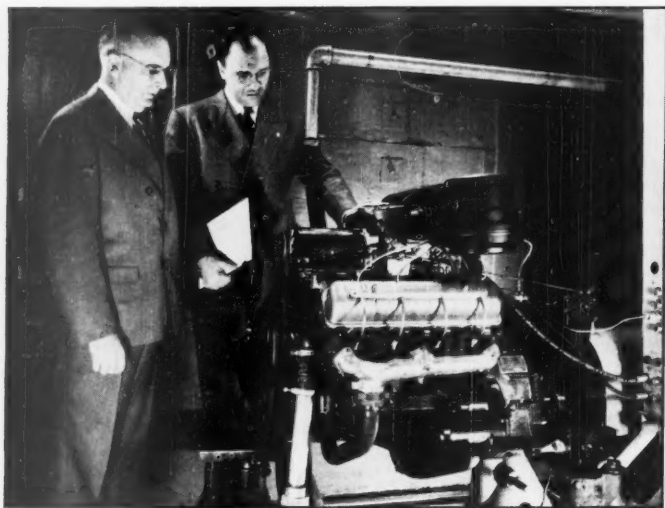
**Third-class mail:** Substantial rate increases loom in this category. The President's budget message called for them; Donaldson will recommend them to the Congress. The slight increases for third-class shipments put into effect at the beginning of the year will yield only an estimated \$14.6-million additional revenue.

**Parcel post** (fourth-class mail, bulk shipments over 8 oz.): The President's budget message called for boosts in this category and Congress is likely to go along. The increased rates which went into effect this month are expected to yield \$60.5-million more annually—which approaches the department's deficit of \$63,964,630 on parcel post for the 1948 fiscal year. But parcel post rates are diverting business from Railway Express in such gigantic quantities that postal facilities are taxed far beyond capacity (BW—Oct. 16 '48, p21). A cutback in volume, likely to follow from sizable rate increases, would please the department.

**Catalogs and books** (fourth-class mail, over 8 oz.): Slight increases are expected here. Increases put into effect this month will wipe out about half of the department's 1948 fiscal year loss on catalog and on book shipments.

**Air mail:** Congress may approve a boost in the airmail rate from 6¢ to 7¢ or 8¢ an ounce, although Donaldson has indicated he will not recommend it. The rate boost from 5¢ to 6¢ this year will cancel out only a fraction of the department's deficit on the operation.

**Special services:** Increases in special-delivery and money-order rates are likely. Even with the new rates this year, special delivery service is running a deficit of around \$8-million a year; money order service, around \$10-million. Registry, collect-on-delivery, and postal note services have comparatively minor deficits. It's a toss-up whether rates on these services will be boosted.



## G.M. Pushes Plans for High-Compression Engine

General Motors gave an added boost this week to its long-talked-about high-compression engine (BW—Jun. 14 '47, p52). The company said it was building test units running up to 12-to-1 ratios to turn over to petroleum companies for study. Here Charles L. McCuen (left), manager of G.M.'s research labs, and Earl F. Caris, head of G.M.'s research on auto engines, look over a new V-8 model. High compression engines

(up to 7.5-to-1) are standard equipment on some 1949 Oldsmobiles and Cadillacs; but these are still far below the ratios ultimately envisioned.

G.M. has held back on higher ratios to permit use of gasoline now available. An advance to an 8-to-1 compression ratio, for example, would require fuel with a rating of 91 to 93 octane, 4 to 6 points higher than the grade now used.



HEAVY EQUIPMENT, like this big shovel, is tight. But . . .



LIGHT MACHINES, like this tractor-grader, are in good supply

## Construction Equipment Enters Buyers' Market

Distributors see sales dip in 1949 from 1948's peak; plan stepped-up selling effort. Industry, farmers are growing markets.

The construction-equipment industry has reached the end of the postwar sellers' market. Distributors and manufacturers, at the annual meeting of the Associated Equipment Distributors in Chicago last week, agreed that sales of new equipment this year will almost certainly run behind the records set in 1947 and 1948.

Critical shortages and order backlogs, except on a few items, are a thing of the past. The exceptions: heavy crawler tractors, heavy power graders, some types of power cranes, and power shovels over 1½ yd. in capacity. Supplies of all types of light equipment are ample.

• **Sales Record**—The industry does not collect complete statistics. But trade estimates put 1948 sales of construction equipment at slightly more than \$1-billion. That was only a little ahead of 1947—despite the fact that spending on new construction gained 26%. Even so, it was about three times the prewar average dollar volume.

For 1949, distributors and manufacturers expect sales to lag well behind 1948's record—even though over-all spending on new construction will be some 4% higher, according to estimates by Engineering News-Record. A.E.D. members were far from pessimistic, however. Even if sales drop substantially, 1949 will still be a good year by prewar standards.

Estimates of the extent of the sales dip vary widely by companies and by regions. West Coast distributors predict that sales there will drop as much

as 25%; East Coast companies' volume estimates range from slightly under last year's total to 15% below. Some mid-western dealers hope to hold their own during 1949—because of expansion of heavy work by the Army Engineers and the Bureau of Reclamation on the Missouri basin project (BW—Dec. 25 '48, p. 22).

• **Reasons**—Chief reason advanced by the industry for the expected sales slowdown: heavy buying by contractors during the past two years. After the war's end, when civilian construction work suddenly picked up, contractors scrambled madly for all sorts of equipment to replace what they had worn out during the war. By now, however, they are well stocked with the latest equipment.

Another reason, advanced by some of the more pessimistic distributors: Many potential buyers have been priced out of the market. All of the distributors feel that now, with supply overtaking demand, there ought to be price stability, or even a trend to lower prices. But manufacturers hold out little hope of price reductions in the face of high labor and material costs.

• **Worries**—In a year-end survey, A.E.D. members listed a steady slowdown in collections (which they describe as "only fair" compared with a year ago) and tightening credit on the financing of floor stocks as things that are on their minds.

The distributors are concerned about growing inventories, too. Some think stocks are too high; others think they

are justified by big sales. But all are agreed that higher overhead; tighter credit, and declining sales make inventories very definitely a thing to watch.

Another thorny problem, that's expected to become even sharper this year: trade-in allowances on used equipment. A lot of the stuff contractors now offer for trade-in was rebuilt and repaired at high cost during the war. Some of it was bought second-hand—at inflated prices. Result: While contractors ask big allowances on it, it's actually not worth much more than its value as scrap.

• **Sales Effort**—To meet sharper competition and buyer resistance, distributors' sales forces are being built up, and geared for aggressive selling. Among devices that will be used to push sales: better service to customers; more advertising and sales promotion; more attractive credit terms (but A.E.D. members were advised to insist on a 25% down payment, a maximum of 15 months for payment of the balance).

Biggest demand foreseen for 1949 is for labor-saving equipment. Labor, of course, is a major item in costs, so machinery that will boost productivity will have top priority.

• **Expanding Field**—A growing market for construction equipment since the war has been sales to industry and agriculture. In the Pittsburgh area, distributors estimate that close to half their sales now go to coal companies (for strip-mining and handling), to utilities, and to large industrial plants that do some of their own construction work. In the Middle West and Far West, more farmers are buying heavy crawler tractors, graders, and scrapers for soil-conservation and irrigation work.

# Blast at "Bigness"

Justice Dept. wins federal court victory over G. E., seeks divorce of A. T. & T. and Western Electric. Campaign starts rolling.

The antitrusters are at it again. After years of marking time, they're in there punching anew at bigness (BW-Jan. 22/49, p15).

• **Emphasis**—Last week was a busy one in the Justice Dept.'s campaign. Here's what happened:

(1) A district court ruled for the antitrusters against General Electric Co.

(2) American Telephone & Telegraph Co. and Western Electric Co. were slapped with a suit asking that they be split from each other; also that Western Electric itself be split up into three units.

• **Rematch**—The General Electric suit is in the nature of a return bout. The government lost the first scrap, back in 1926. The U.S. took on G.E. then on a charge that it was monopolizing the manufacture of incandescent lamps. But the Supreme Court, in its still-famed "General Electric" decision, ruled that G.E.'s basic lamp patents gave G.E. the right to fix the price at which its licensee (Westinghouse) would sell lamps.

Now a federal court in New Jersey has ruled for the government and against G.E. This case, in the government's eyes, is like the old one—but without the lamp-patent angles.

• **Charges**—In 1941 the government charged G.E. with monopolizing the lamp industry in the U.S. The alleged sins were: (1) patent hookups on machinery, etc.; and (2) a so-called "agency plan." The agency system, still in effect, is one in which the dealers sign contracts to become the company's agents. Legally, then, they don't own the bulbs they sell. Instead, as the company's agents, they must use the retail prices the company sets.

In last week's decision the government won on the monopoly counts. But it lost the fight over the agency system: The district court ruled the agency plan was legal. So government lawyers are wondering if they have gained only half a victory.

• **What to Do About It?**—Next step is for government and company lawyers to argue before the New Jersey court what should be done about carrying out the monopoly verdict.

The government has already asked: (1) that G.E. be shorn of some of its lamp-making plants and equipment; (2) that G.E. be forced to license all its patents on lamp-making machinery and lamp parts; and (3) that G.E. and Corning Glass Works, one of the other 10 defendants, be compelled to

end restraints on the sale of lamp-making and glass-making machinery.

The district court will probably rule on these questions by June. Undoubtedly, the Supreme Court will get a whack at the case after that.

• **"Most Important"**—The A.T.&T.-Western Electric case has all the angles to make it "the most important case the Antitrust Division has filed in years." So says Herbert Bergson, the antitrust chief.

He sees it as fitting into Justice's renewed campaign against:

(1) Overshadowing of a field by a single company;

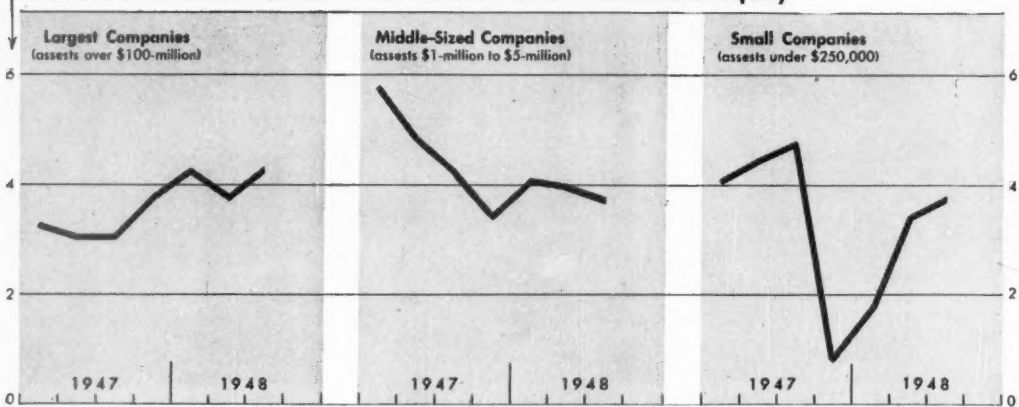
(2) Exclusive-dealing arrangements that freeze out competition;

(3) "Illegal abuses" of the legal patent monopoly—to which the antitrusters will give particular attention in the next few years.

• **Distinction**—The lawyers insist they are not trying to touch A.T.&T.'s position in the U.S. telephone system. What they want is a shotgun divorce between communications and equipment manufacture.

Because of Western Electric's size, the antitrusters consider it one of the juiciest plums they've ever reached for. They are telling each other that it's a case they can hardly lose. Their reason: Successful breaking of the tie between the Pullman-car operating company and the Pullman-Standard Manufacturing Co.

## Profits of Manufacturers as a Percent of Stockholders' Equity



Data: Federal Trade Commission and Securities & Exchange Commission.

© BUSINESS WEEK

## 1948: It Paid to Be Big, Was Tough to Be Small

Big manufacturers obviously had a record-smashing year profitwise in 1948. But it looks as though small operators failed to match their 1947 earnings.

That's the picture you get from the third quarter profit estimates compiled

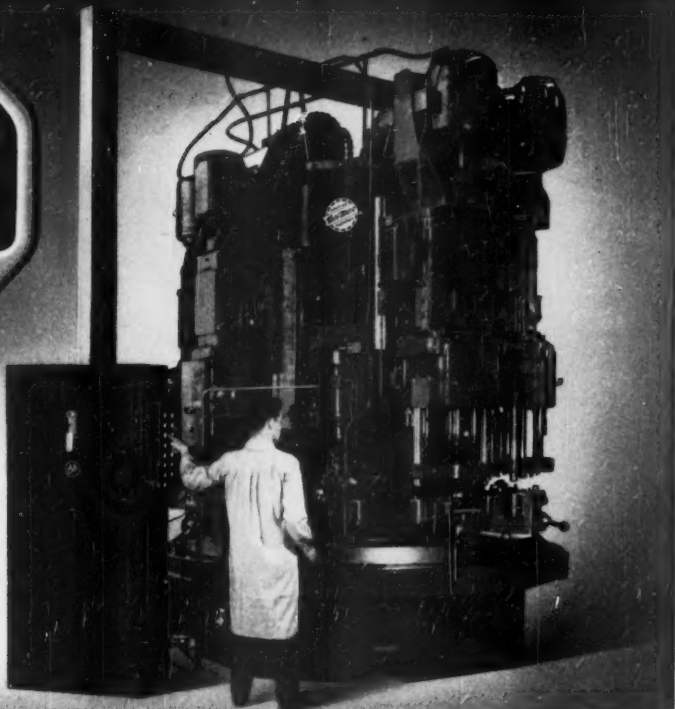
by the Federal Trade Commission and the Securities & Exchange Commission. Small companies were badly squeezed in the early part of 1948. In the next six months they snapped back. But they are still below 1947. And in the

final quarter of 1948 they undoubtedly showed another big drop—for bookkeeping reasons. Small companies customarily wait until the end of the year to make charges like depreciation, taxes, and accrued costs.

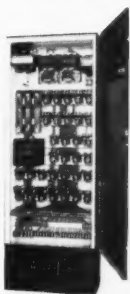




Davis & Thompson 8-station indexing type Roto-Matic machine with Allen-Bradley master control panel in steel enclosure.



## Quality Machine Tool Panels FOR AUTOMATIC-SEQUENCE CONTROL



The trend in machine tools is toward completely automatic operation. Starting, stopping, reversing, and accelerating functions are governed by a unit control consisting of standard automatic switches and relays under the control of automatic limit switches or the operator's master push-button station.

Such complex panels are impracticable, however, unless the component switches and relays are dependable and maintenance free. That is why A-B trouble-free solenoid controls are first choice of most machine tool builders.

Allen-Bradley Co.

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QUALITY





**"I QUIT!" said the  
fire extinguisher**

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neglected. ¶Did you know, for instance, that some kinds of extinguishers must be recharged every 12 months? That others need to be partially emptied and refilled? That still others require only an annual weighing? ¶Would you

like to know how to set up a simple inspection system to

keep your extinguishers always on the job? What sort of inspection records to keep—and how to fill them in? ¶You'll find the answer to all these—and many more—

questions in the booklet, "Inspection and

Maintenance of First Aid Fire Extinguishers," compiled by Walter Kidde & Company, Inc. Of course, this booklet is free for the asking—just let us know how many copies you need.



**Walter Kidde & Company, Inc.**  
125 Main Street, Belleville 9, N. J.

# Kidde

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trade-marks of Walter Kidde & Company, Inc.



## BUSINESS BRIEFS

CBS' latest effort at cornering popular radio talent (BW-Jan.22'49,p82) is acquisition of Edgar Bergen and Red Skelton (from NBC), and Bing Crosby (from ABC). Story is that Fibber McGee & Molly (NBC) will sign up, too.

Ralph S. Damon, on accepting the presidency of TWA: "I have been assured by the board that TWA has no intention of selling or otherwise disposing of its foreign route." That was a pointed reference to the American Overseas-Pan American deal that brought about his resignation from American Airlines (BW-Jan.22'49, p28). And it fits in with the fight by TWA's board chairman, Howard Hughes, against Pan Am's "chosen instrument" policy.

The New Haven railroad has knocked down some of its round-trip, parlor-car fares. The 20% cut slices \$4.20 off the New York-Boston trip. Tuesday through Thursday only.

Douglas Aircraft's answer to the competition in the twin-engine transport field (Convair Liner and Martin 202) may lie in its DC-3 modification program. For \$150,000 to \$200,000 Douglas would bring old DC-3's up to date (new engines, outer wings, etc.). New twin-engine jobs now cost the airlines about \$500,000.

Motor vehicles registered in the U.S. reached a new high at mid-1948. The Detroit statisticians, R. L. Polk & Co., put them at 36.5-million—an increase of almost 3-million in a year's time. Passenger cars went from about 27.5-million to nearly 30-million; trucks, from about 6-million to slightly more than 6.6-million.

Steel industry will spend \$627-million on expansion this year. The American Iron & Steel Institute says that will add another 2.2-million ingot tons to the nation's capacity. U. S. Steel alone has announced that it will spend \$240-million on both expansion and improvement.

WAA has sold: (1) a rotary kiln in Baton Rouge and a magnesite deposit in Nevada to Basic Refractories, as a part of that Cleveland company's \$2.5-million expansion program; (2) a plant in Columbus to Timken (for \$3.2-million) which the concern has been leasing for the manufacture of roller bearings.



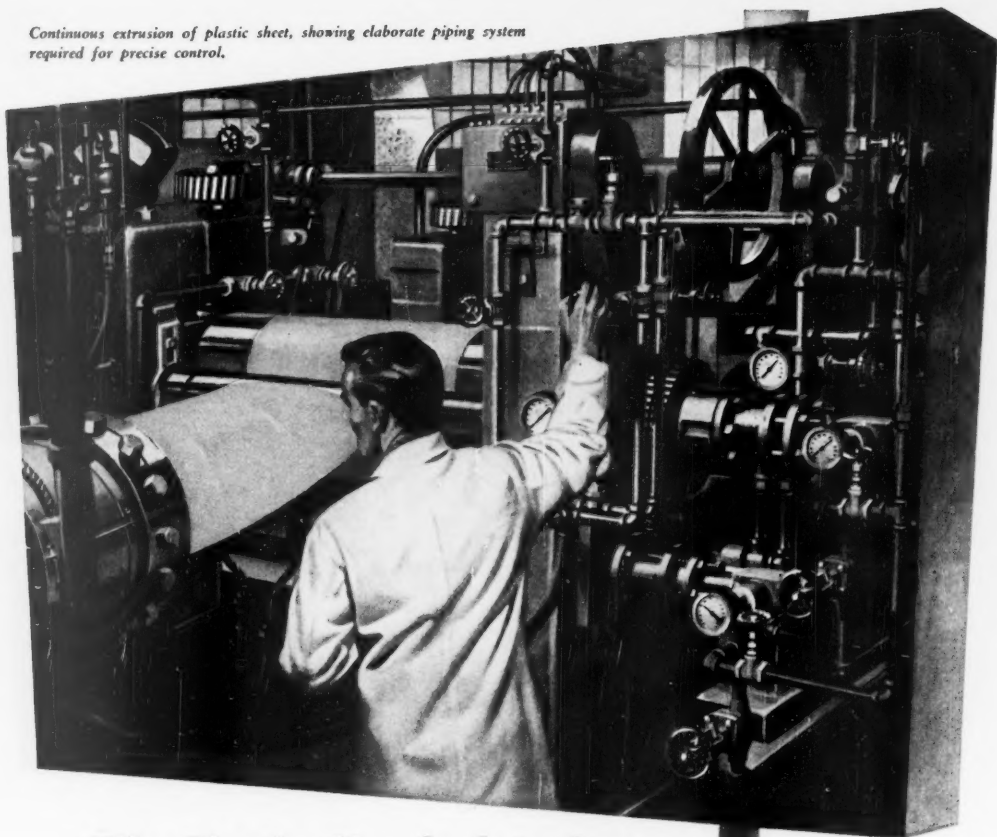
Artist — Mitchell Siporin, native of Illinois

ILLINOIS—annual purchases: \$7¼ billion—mostly packaged.

CONTAINER CORPORATION OF AMERICA



*Continuous extrusion of plastic sheet, showing elaborate piping system required for precise control.*



## **Why Plastics Men look to Crane**

This extrusion operation typifies the essentiality of piping equipment to plastics processing. Its performance directly affects both quality of product and production efficiency. That's why men in most process industries have good reason for looking to Crane. For the completeness of the Crane line permits the ultimate of standardization and simplification of piping procedures—from design to maintenance work. As the unquestioned standard of quality, Crane stands for greatest dollar value in all classes of equipment. And because you can depend on Crane for the supply of all piping materials, you're assured of better installation with every all-Crane pipe line. Is your plant getting full benefit of this Crane service? Your local Crane Branch can help you decide.

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IN BRASS VALVES, for example, Crane offers the most comprehensive selection of gates, globes, angles, and checks, including patterns for specialized applications. Back of each single item are countless service records that distinguish its superior Crane design and manufacture. Shown above is Crane Plug Type Disc design, the outstanding valve for tough throttling services. Literature sent on request.

*Everything from CRANE for every piping system*

# REGIONS



BUILDING A PLANT for a prospect is often a valuable thing for a community as . . .

## States Compete for Industry

New York Dept. of Commerce is one of most successful agencies in bringing industry into state from outside. But locating the right industry in the right town is a tricky selling problem.

The states of the union are locked in as competitive a battle among themselves as ever characterized U.S. industry. The stakes are as big as those of any industry faced with a buyers' market. The stakes: selling the state to companies which want to relocate plants and offices.

• **Intricate Job**—Persuading a company to come to a certain state can be one of the biggest—and most intricate—of sales jobs.

The right industry spotted in the right place can have a sound economic effect on the community. By the same token, the wrong industry in the wrong place can bring deep trouble both to the region and to itself. Successfully convincing business of either fact is a major triumph.

One agency which has done a highly successful job of selling industry is the New York State Dept. of Commerce. Last week it reported that during 1948 it had played a major role in bringing 33 new businesses into New York, that it is now working with 88 more prospects for industrial sites. In addition, the department works with industries already located in the state. The overall aim is to build up a better-balanced

local economy in New York communities.

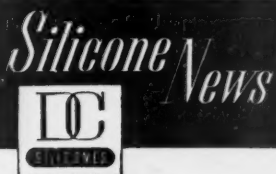
• **Thin Ice**—Selling the right industry on the right community isn't as easy as it sounds. Nobody can do it successfully unless he is an expert in everything from sewage to psychology. There's no telling what kind of question a prospective newcomer will ask. And if the state agency can't answer it, the whole deal may collapse right there.

That's where the average small community falls down when it tries to do the job on its own. Its leaders generally aren't up enough on local details to answer specific questions. Or they try to cover up local drawbacks, paint a picture that is sometimes vague—and always rosy. That's almost sure to make a prospect cool off and stay away.

The New York Commerce Dept. feels that it is enough of an impartial broker to steer an impending deal around these pitfalls. By matching the needs of site-hunting industries with what New York communities actually have to offer, it can make both sides happy.

• **New York Case**—Here is a typical example of how the New York department works:

John Cartwright, president of the



### What's Essential?

Buttons and bows may be essential to the little woman; a box of La Coronas may be essential to us. But that's a purely relative use of the word. For something that is absolutely essential we point to certain industrial motors . . . for example, pump motors that supply water to a processing plant. They're the kind of motors that deserve Silicone Insulation.



PHOTO COURTESY PURE OIL COMPANY

Both of the 10 h.p. motors which supply water to the Pure Oil Refinery at Midland, Michigan, are silicone insulated to assure continuous operation under adverse conditions.

These two pump motors are located in a sub-basement near a river that overflows every spring. Ventilation is poor and humidity is always high. Originally insulated with Class "A" materials, both motors failed the first time they were flooded out. They were then rewound with Silicone (Class "H") Insulation.

Pure Oil specified Silicone Insulation because it offers much more protection to motors exposed to excessive moisture. In several instances, silicone insulated motors that were submerged by flooding have been hosed off and put right back into service. Accelerated life testing and actual performance records have proved that this new class of insulation developed by Dow Corning has at least 10 times the life and 10 times the wet insulation resistance of the best insulating materials previously available.


Electrical maintenance and production men in all fields of industry are learning that Silicone Insulation is the best insurance there is for critical motors. For more information, call our nearest branch office or write for pamphlet No. G7-G.

### DOW CORNING CORPORATION MIDLAND, MICHIGAN

Atlanta • Chicago • Cleveland • Dallas  
Los Angeles • New York

In Canada: Fiberglas Canada, Ltd., Toronto  
In England: Albright and Wilson, Ltd., London



CBS  is a BW advertiser is a BW ac

## *Selling CBS through BW* *... for 8 years*

Men who *sell* advertising are careful *buyers* of it. That's why the Columbia Broadcasting System...and many others in radio and publishing have, in the past 10 year period, placed more of their advertising in Business Week than in any other general business or news magazine.

Media advertisers know that Business Week reaches the highest concentration of Management-men...prime prospects because Management-men participate in buying decisions. Business Week gives advertisers a minimum of waste circulation...therefore advertising dollars invested in Business Week "work harder," *produce more.*

### **BUSINESS WEEK FIRST... AGAIN IN 1948**

Hundreds of advertisers whose goods or services are sold to business and industry, know that Business Week brings them more sales contacts per advertising dollar spent. This explains why, for the first six months of 1948, Business Week led all the general business and news magazines:

#### **1. FIRST...**

In page volume of business goods and services advertising. Total: 1762 pages.

#### **2. FIRST...**

In number of business goods and services advertisers. Total: 648 advertisers.

#### **3. FIRST...**

In number of exclusive accounts in the business goods and services classifications: Total: 307 accounts.

This year-after-year leadership by Business Week has been going on for eleven years, all because—

**WHEREVER YOU FIND IT, YOU FIND A  
MANAGEMENT-MAN... WELL INFORMED**



an advertiser is a BW advertiser is a BW advertiser



### MEDIA ADVERTISERS\*

American Tel. & Tel. Co.  
(Classified Directory)

Boston Globe

Capper-Harman Slocum, Inc.

Capper Publications, Inc.  
(Household Magazine)

Chicago Daily News

Columbia Broadcasting System

Curtis Publishing Co.  
(Country Gentleman)  
Ladies' Home Journal

Farm Journal, Inc.  
(Farm Journal)  
(Pathfinder Magazine)

McCall Corporation  
(Redbook)

Midwest Farm Paper Unit

Mutual Broadcasting System

Popular Publications, Inc.

Time, Inc.  
(Time Magazine)

\*Source: Publishers' Information Bureau analysis.

# SIMONDS makes them

# ALL



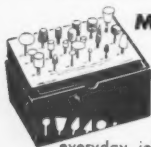
## GRINDING WHEELS

In sizes and shapes for every grinding job on all types of metal, stone, glass, porcelain and plastic. Made from top quality abrasives manufactured in Simonds own electric furnace plant.



## ABRASIVE SEGMENTS

For grinding large flat surfaces or surfacing a number of small pieces together. In shapes and sizes to fit all standard chucks. Top quality manufacture — Simonds only quality.



## MOUNTED WHEELS & POINTS

Versatile assortments of abrasive tools for everyday jobs in factory and shop. Carefully selected and assembled into compact utility kits.



## POLISHING GRAIN

Hard, sharp, tough. For polishing automobile parts, all types of machinery, tools, cutlery, glass and lenses. Also for pressure blasting, tumbling, anti-slip, and refractory uses.

Write for Grinding Data Book

**SIMONDS**  
ABRASIVE CO.

PHILADELPHIA 37, PA.  
Grinding Wheels and Abrasive Products

**SIMONDS**

Grinding Wheels and Abrasive Products

**SIMONDS ABRASIVE COMPANY**

is a division of

**SIMONDS**

SAW AND TOOL CO.

Rocking, Mass.

Saws, Machine Knives, Files

**SIMONDS** Other Divisions **SIMONDS**

Grinding Wheels and Abrasive Products

Simonds Products for Canada

Acme Thread Co. (that's neither his real name nor the company's name, of course) decided to decentralize. The New York State Commerce Dept.'s research division heard about the plan, figured that this was one industry which could well fit somewhere into the state's economy.

The department got in touch with Cartwright, told him it was sure the state could offer him the kind of location he wanted. Cartwright's reply indicated that he didn't really know what he wanted. About the only specific thing he said was that his plant would employ between 200 and 300 workers. He wanted the plant to be in a "pleasant community convenient to a fairly large city."

• **Delving**—The department's first step was to try to pin down Cartwright's requirements more closely. It asked him three questions: (1) Would he be willing to buy or build? (2) What kind of labor did he want? (3) What were his transportation needs?

Cartwright's answers: (1) He thought he would rather not buy or build. (2) He needed skilled labor. But, he added, he would be bringing a fairly large group of employees with him. Thus, he would be interested in the capacity and quality of the community's schools. (3) The

transportation setup had to be "good."

• **Search**—The department sent all this information to its regional managers, asked them to name the qualifications of specific locations. From its own files, the department was able to suggest a couple of communities which each regional manager could look into.

Obviously, the regional managers did not have to consider certain communities at all. No town populated chiefly by commuters, for example, would be likely to tolerate a thread factory.

After the reports came in, the department decided what communities it should recommend to the prospect, arranged for him to visit the towns. Meanwhile, it checked up on Acme's credit rating.

• **Community's Part**—The department then helped the community get ready for the visit. This is a vital step in the whole program; the prospect's first visit to the town can make or break the whole deal. The key to success is having civic leaders who are able to answer his questions in detail. (In one New York town, no one thought to check the capacity of the sewage system. When an industrial prospect visited it, he was impressed enough to decide to move in. Then at the last minute he found out that the sewage system was already running at



## Too-Nude Girlee Signs Fought by Businessmen

Gasper Gulotta (above), owner of the New Orleans hot spot called Gasper's, is also known by the unofficial title, "mayor of Bourbon Street." Last week he might well have leaned for support on the mannequin sign in front of his place. Ever since Mayor deLesseps ("Shep") Morrison came into his own, French Quarter nightclub operators have had to keep an eye on their girls to see that they didn't overdo their bumps and grinds. Now New Orleans businessmen have

joined the fray. They decided it was high time to cool things down in another way: Nightclub barkers and signs touting the girlee shows had got so loud and lewd that tourists had begun to be offended. So police banned barkers, and ordered the signs cleaned up. But this doesn't mean that New Orleans is becoming blue nose. The town knows what the tourists are looking for. Said a police official: "We don't intend to make a Boston Common out of the Quarter."

It has gone a long way in improving  
conveyor belt strength

# Du Pont "Cordura" High Tenacity Rayon

**For high strength at low cost...look into Cordura\***

There's a long lift involved for conveyor belts that carry coal and ore from mine pits to loading stations. To give these belts the terrific tensile strength required, engineers have turned to Du Pont "Cordura" High Tenacity Rayon.

"Cordura" makes possible a lighter belt—and a longer belt. One-piece conveyor belts made with "Cordura" will eliminate costly, troublesome transfers. And they trough easily—have remarkable resilience.

"Cordura" is engineered to yield much greater strength than natural fiber yarns commonly used. And each strand is a continuous filament—no short pieces to pull apart under strain.

Perhaps you'd expect to pay a premium for the advantages of "Cordura." But in many cases you can reduce production costs because you get so much strength from so little!

**Can you use "Cordura" to improve an article you make?** Write Du Pont for detailed information about "Cordura" High Tenacity Rayon. And tell us your specific needs. Perhaps we can help guide you to a profitable application.

**Can you use a product improved with "Cordura"?** Check with your supplier—or write Du Pont.

Rayon Division, E. I. du Pont de Nemours & Co. (Inc.), Wilmington 98, Delaware.

\*REG. U. S. PAT. OFF.



**BETTER THINGS FOR BETTER LIVING  
THROUGH CHEMISTRY**



for RAYON... for NYLON... for fibers to come... look to DU PONT



*The letterhead paper you'll find  
in offices where decisions count*

In offices where decisions that shape America's way of living are made, you find Hammermill's Cockletone Bond today. More and more industrial planners find that this handsome paper has the "heavy" quality feel, the crisp crackle to lend the right impressiveness to their business messages.

Examine this fine new accomplishment of modern papermaking for yourself. Then consider appointing it your business representative. Its moderate cost will surprise you.

**THE FINEST LETTERHEAD PAPER  
EVER PRODUCED BY HAMMERMILL CRAFTSMEN**

**SEND THIS COUPON NOW...** for Cockletone Bond portfolio containing specimens of good modern letterhead design which you'll find useful in appraising, improving or redesigning your own letterhead. Also sample book of Cockletone Bond.

Hammermill Paper Company  
1455 East Lake Road, Erie, Pennsylvania

Please send me—free—the Cockletone Bond portfolio and sample book.

Name \_\_\_\_\_

Position \_\_\_\_\_

(Please attach to, or write on, your business letterhead) BW-1-29



LOOK FOR THE *Cockletone* WATERMARK

full capacity. Thus, the prospect was scared off before the town could decide whether it would expand the system to accommodate his plant.)

Cartwright settled for the second town he saw. It was a small city near Buffalo which had several other small industries. It was near an excellent rail- and water-transportation center, had good facilities for the plant, was generally a thriving community. But probably Cartwright's personal reactions were as important in his decision as the economic factors.

• **Virtues**—Despite the fact that it had other factories, industry did not overwhelm the town physically. The residential section, a few minutes' drive from the industrial area, was excellent; it had virtues like elm-shaded streets, no heavy trucking. It was the kind of place he wanted to live in himself. (This is not unusual. One manufacturer settled his plant in an upstate town because his wife liked its looks when they drove through one day. Factors like fishing, golf, and sailing can be equally important in selling a community.)

The town was just as eager to get Cartwright's company. He stuck to his guns against building a plant, and there was none adequate for thread-making which he could rent. So the town got him a plant. Local citizens formed a corporation, built the factory, rented it to Acme. They made sure of one thing: The plant was designed so that if Cartwright pulled out some day it could easily be adapted to other industries. Thus, the town would not get stuck with a white elephant as some have (BW—Jan. 8 '49, p. 77).

• **Preparation**—The New York Dept. of Commerce claims no monopoly in representing the state's towns and cities to industry. In fact, it urges communities to do their own advertising, develop their own methods of finding prospects. It offers advice on how to prepare themselves to attract industry. A Commerce Dept. pamphlet, "Your Home Town's Future," spells out what businessmen should do to sell their community to industry.

The New York department points out that obviously the most important thing a community must have is something to sell. It must develop this itself. And the first step in that development is a self-appraisal of its good and bad points. After that, it must draw up a list of improvements it will have to make to interest any prospects.

The community can then decide whether or not the improvements will be worth while. How much will they cost? Will there be any net gain from the new payrolls and the higher tax yield? Will the final result be a better-balanced local economy?

• **Cooperation**—All this, of course, calls for strong cooperation within the town;



that means the active support and participation of a wide cross-section of civic and political leaders, businessmen, labor. Sometimes this cooperation results in local industrial development corporations which can build plants for companies that don't want to tie up their capital. There are now about 15 such corporations in New York state.

The drive by states to attract new industries is a highly competitive business—and New York State gets plenty of trouble from other areas just as eager as it is. Experts think that the states giving New York the most trouble with bang-up selling jobs are Arkansas, Connecticut, Massachusetts, Missouri, New Jersey, Pennsylvania, and Tennessee.

## St. Joseph Aspirin Cures Memphis Headache

Even the loss of a manufacturing concern can't throw Memphis off its industrial stride (BW—Jan. 15 '49, p68). By moving out of town, American Coating Mills, Inc., merely gave a local company—Plough, Inc.—a chance to move into a larger plant.

Plough is the proprietary drug house that makes St. Joseph Aspirin, Penetro, and a string of other medicines, plus some cosmetics. Up until now it has operated from eight buildings in Memphis. When it beat out eight other bidders for the 70,000-sq. ft. plant of American Coating Mills last week, it finally got a chance to consolidate its main manufacturing and distribution operations under one roof.

• **New Plant**—Plough gets a plant that is comparatively new. American Coating Mills—a subsidiary of Owens-Illinois Glass Co.—built it in 1945. Since then it has been turning out folding boxes, soft-drink carriers, and other cartons. The plant employed about 500 people when it closed.

So far American Coating Mills has given no official explanation for its move. According to the talk around Memphis, however, the company left because another company abandoned its plans to settle there. This second concern would have given the container maker heavy orders, and attracted other plants to Memphis as well.

• **Addition**—Plough will start immediately on the construction of a 130,000-sq. ft. addition to the plant. This, together with the cost of buying the plant from its former owners, represents an investment of about \$1-million.

At present the company employs some 900 people in Memphis, about 200 elsewhere. In 1947 it sold \$13.6-million worth of its products in the U. S. and 60 foreign countries. The concern is controlled by Tennesseans, who make up 65% of its 4,400 stockholders.



Jeffery Scaife's "hands" performed their tasks by the strength of their muscles alone.

Scaife workmen today employ an average of 8 electrical horsepower per man.

*Why YOU should be interested in*

## **SCAIFE'S 147-YEAR HERITAGE**

To the buyer and user of pressure vessels, the fact that the Scaife Company is 147 years old is significant for two reasons: first, it shows a quality of product that has served users well through the years; second, it demonstrates the ability of the SCAIFE COMPANY constantly to advance with the changing times.

Today, carefully planned programs of scientific research and application engineering are in operation. These programs are investigating ways of improving materials, designs and manufacturing methods, so that SCAIFE products of the future will provide even greater service-value in industry, in commerce and in the home.

## **Scaife Company**

*Makers of Pressure Vessels and Containers For Air, Gases, Water*

*founded 1802*

OAKMONT (PITTSBURGH DISTRICT) PA.



"PARK LANE" CARBON  
PAPER TURNS OUT  
SWELL COPIES!

OF COURSE—  
IT'S MADE BY  
ROYTYPE!

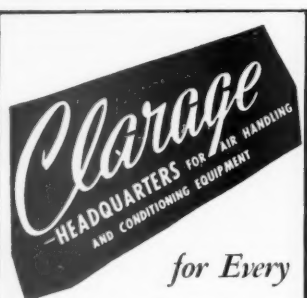
Non-curl! Non-slip! Non-smudge!  
That's Park Lane, the carbon paper  
that is specially treated to give  
better copies, cleaner copies.

Get in a supply today! See the  
difference in the quality of the work  
turned out in your office!

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Royal Typewriter Company, Inc.—  
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**ROYTYPE**  
PRODUCT  
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for Every  
Type of Application

**"Extra Heavy  
Construction  
—Extra Years  
of Service"**

**CLARAGE FAN COMPANY**  
KALAMAZOO, MICHIGAN  
Sales Engineering Offices  
in All Principal Cities

## READERS REPORT:

### A Foreman's Warning

Sirs:

Please accept my sincere gratitude for your marvelous article, "Foreman Get Set" [BW—Nov.20'48,p114]. I hope that many of the gentlemen who comprise American industrial management read this article and that they digest the meaning of its sound advice. In your article you have emphasized what I have tried to drive home so many times to the gentlemen that I have spoken to in regard to the organization of foremen. It may be a better means of discussion with an independent group than to have to talk to one that is tied up with the big rank-and-file unions, A.F.L. or C.I.O.—to use your word, far more "palatable." The one thing that strikes me as real funny is the list of firms that you mention with programs for a new day for foremen. Let's take Packard Motor's reforms:

(1) "No longer have to punch the time clock." I have punched one for 45 years and see no harm in recording my punctuality in being at work.

(2) "Don't have to wear gate badges." What is wrong in wearing an identification badge?

(3) "A better rate of overtime pay." That is the only reform that I can see in their new program.

[Editor's Note: Packard's program, as we reported, also includes three-week vacations for foremen, instead of two.]

The things that foremen organized for in the early days of the campaign were security, protection, and some voice in the conditions they toiled under. In the large auto industry at Detroit I understand that when a man arrives at 65 he is asked out regardless of his ability to supervise, his knowledge of the work, or his physical condition. In steel, on the contrary, some of the best foremen and lead men are those who have reached the age of 65, in spite of the fact that steel has a very liberal pension plan. Men feel obligated to work for the betterment of the industry where they have spent the best years of their lives.

Foremen resent the fact that management has ignored them during the past and that they have no sense of security in their positions, no matter how loyal they have been. Foremen face the same ills that made it easy for the rank and file to be organized when the C.I.O. took to the field. Management has not learned from the lessons of the past. Man in his makeup has had instilled in him by his Creator a sense of dignity that he resents not being able to protect. The foreman has been classified

as the forgotten man of industry. But he still is willing to fulfill his obligation to his employer, and very seldom have we found a case where the foreman during a strike was willing to cast his lot with the rank and file (he felt that he was morally bound to see that the factory was protected and maintained). I can recall in the steel strike of '46 at Lackawanna, N. Y., when foremen were denied the right to enter the property of Bethlehem Steel by the rank-and-file union, the resentment became so tense that foremen defied all and took many means of entering the works. Surely this was a sign that, even though organized, they were management minded. The next few years will decide the story; if the foremen do enter into the unions of the rank and file, it will be because management in its blindness has forced them there.

JOSEPH F. MURPHY

SECOND VICE-PRESIDENT,  
FOREMEN'S ASSN. OF AMERICA,  
NEW YORK STATE REGIONAL OFFICE,  
BUFFALO, N. Y.

### Automatic Billing

Sirs:

Regarding your article entitled "Machine Keeps Books" [BW—Dec.11'48, p21]:

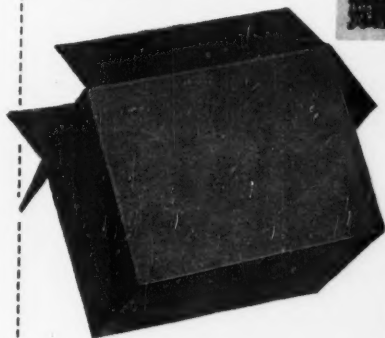
My company being one of some 6,000 independent telephone companies serving, together, over two-thirds of the area of the United States, I share with my other colleagues in the independent telephone industry a sincere admiration for the magnificent achievements of the Bell Telephone Laboratories. Notwithstanding this, however, we in the independent telephone field sometimes sense that our "big brother" in the business tends by its very size to overshadow some of the significant achievements of the independent telephone suppliers and independent telephone companies. Automatic Electric of Chicago, Stromberg-Carlson Co., of Rochester, N. Y., Kellogg Switchboard & Supply Co., of Chicago, North Electric Co. of Galion, Ohio, and several other general and specialty supply manufacturers periodically develop revolutionary techniques in the telephone business. Without in any way discrediting the Bell System and its affiliates, these independent suppliers do keep Bell Labs and Western Electric "on their toes" as these smaller companies more than make up for their lack of size in their dynamic research policies.

Automatic Electric Co. was the originator of dial telephone operation as it is now generally known . . .

The "Machine Keeps Books" article

# A Pedigree is a Promise of Quality

IN  
BOXES  
TOO!



PROMISE OF *Quality*  
PROMISE OF *Service*  
PROMISE OF *Fair Price*

THE Union shield trade mark identifies boxes with a pedigree that goes back to the timber in Union's own forests.

Only fibre from fresh cut trees goes into Union boxes and completely integrated production, under one management in the world's largest Kraft pulp-to-container plant, is checked and rechecked every step of the way to maintain con-



THE PEMBROKE WELSH CORGI, as we know it today, traces its history back to 1107 when Flemish weavers brought it over to Wales to serve as a cattle dog. Hardy, alert and intelligent, members of this little breed make very rewarding household pets.

sistent high quality standards without variation.

Five of the nine largest paper machines in the world and four modern box plants are your assurance of getting Union boxes when and where you need them.

And 75 years of leadership in paper packaging stands ready to help you in any problem of package engineering or design.

## UNION Corrugated Containers

### UNION BAG & Paper Corporation

Principal Offices: WOOLWORTH BLDG., NEW YORK 7, N. Y.

Corrugated Container Plants: SAVANNAH, GA. • CHICAGO, ILL. • TRENTON, N. J.



*Victor*  
Leading Industries Throughout  
the Nation **PREFER VICTOR**  
16mm SOUND MOTION PICTURE PROJECTORS



There is a Victor 16mm Sound Motion Picture Projector to meet every type of audience requirement.

## Kelvinator Division

OF NASH-KELVINATOR CORPORATION

Stimulates Personnel Training and Promotion with VICTOR and 16mm Sound Films

Another leader in modern industry—Kelvinator—has enthusiastically endorsed 16mm as an all-important phase of its expansive training and selling program. To meet its 16mm requirements, Kelvinator confidently utilizes Victor for dependable performance. Both the Victor Lite-Weight and Victor

Triumph 60 projectors provide unequalled assistance in the projection room at Nash-Kelvinator Corporation headquarters, Detroit, Michigan.

Write today for Victor's industrial folder to add impetus to your sales and training programs.

VICTOR ACCELERATES MODERN SELLING AND TRAINING

*Victor Animatograph Corporation*

A DIVISION OF CURTIS-WRIGHT CORPORATION  
Dept. BW-17 • Home Office and Factory: Bensenville, Iowa  
New York • Chicago • Distributors Throughout the World

# R.C. Allen

## BOOKKEEPING MACHINE

A modern, low-cost desk model bookkeeping machine for every business. Posts ledger, statement and proof-journal simultaneously. Handles banking and payroll work with equal speed and accuracy. You do not need a trained bookkeeper—any clerk can operate the R. C. Allen.



For authorized R. C. Allen sales and service, consult the yellow pages of your telephone book.

*Call FOR A DEMONSTRATION today!*

See how quickly, easily and inexpensively you can have a modern bookkeeping system—the R. C. Allen way

**R.C. Allen Business Machines, Inc.**

881 Front Street N. W. • Grand Rapids 4, Michigan  
ADDING MACHINES • CALCULATORS • BOOKKEEPING MACHINES • CASH REGISTERS

strikes very close home to my company, as we have developed for installation in March, 1949, and full commercial operation by midsummer, an "automatic toll-ticketing and electric key punch billing procedure" [page 48] which we believe to be equally significant with the Bell Laboratories' development. . . .

John E. Ostline of Automatic Electric Co. developed the system. He is regarded by most of us in the independent telephone industry as one of the leading telephone research engineers of his time.

J. T. NAYLOR

VICE-PRESIDENT AND MANAGER,  
SUNLAND-TUJUNGA TELEPHONE CO.,  
SUNLAND, CALIF.

## Where Jobs Have Gained

Sirs:

Having noted your map, "Where Manufacturing Employment Has Shown the Largest Increases" (BW—Dec. 11 '48, p94), and assuming that the Bureau of Labor Statistics was responsible for the percentage references given, I wrote the bureau and asked for the percentage figures for each one of the states.

Answering my request, Mr. Ewan Clague, Commissioner of Labor Statistics, said that BUSINESS WEEK was not only responsible for the map but also for "percentage increases and decreases" indicated in white and shaded states. For such data please accept my sincere thanks, because such information is always in demand by those interested in industrial research and development.

Can you give me the percentage figures of each state that were used by you in compiling the map?

JOHN M. GUILD

DALLAS, TEX.

• Percentage increases in factory employment, state by state, between 1939 and July, 1948, follow:

Alabama ... 64.3%	Nevada ... 112.5%
Arizona ... 86.9	N. H. ... 25.7
Arkansas ... 62.4	New Jersey ... 28.3
California ... 77.6	New Mexico 126.1
Colorado ... 46.4	New York ... 37.7
Connecticut 31.2	N. C. ... 17.1
Delaware ... 65.2	N. D. ... 53.6
Florida ... 22.9	Ohio ... 53.5
Georgia ... 41.8	Oklahoma ... 68.9
Idaho ... 20.5	Oregon ... 37.5
Illinois ... 52.1	Pennsylvania 35.2
Indiana ... 44.7	Rhode Island 10.6
Iowa ... 61.8	S. C. ... 35.7
Kansas ... 87.3	S. D. ... 38.8
Kentucky ... 52.0	Tennessee ... 53.2
Louisiana ... 42.8	Texas ... 98.4
Maine ... 25.3	Utah ... 33.5
Maryland ... 20.2	Vermont ... 38.1
Mass. ... 21.1	Virginia ... 25.7
Michigan ... 45.7	Washington 42.5
Minnesota ... 85.0	W. Va. ... 42.1
Mississippi ... 57.7	Wisconsin ... 63.8
Missouri ... 46.0	Wyoming ... 21.4
Montana ... 24.8	D. of C. ... 15.4
Nebraska ... 50.3	

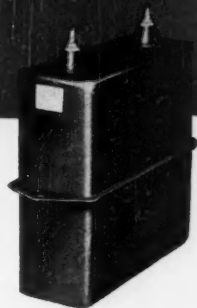
# Faced with rising power costs?

**California firm installed G-E capacitors and avoided a \$500 a month increase in power bill.**

This is the story Barium Products Ltd. tells of their Modesto, Calif. plant: They were liable to a \$500 a month increase in their power costs because power factor had fallen badly as new equipment was put in service. By installing only 240 kvar of G-E capacitors, power factor was brought back to 93%—and the penalty avoided. Voltage is much better, now, throughout the plant. And total installed cost, including automatic switching equipment to disconnect the capacitors during light loads, was less than \$3600.

These savings are exceptional. But your firm, too, may make substantial savings by installing G-E capacitors if your power contract contains a power-factor clause. Even without direct savings in power costs, G-E capacitors provide relief for overloaded plant feeders or transformers. Frequently they are the cure when low voltage is slowing down production.

We urge you to check—to make sure that your company is taking full advantage of these remarkable devices. A G-E specialist will be glad to work with you or your engineering staff—to determine just what savings may be possible.



**A NEW BOOKLET** explains how capacitors work and gives specific data to show you what you may expect from them. Write today for Bulletin GEA-5167. Address Section 407-183, Apparatus Dept., General Electric, Schenectady 5, N. Y.

For other power distribution ideas that will save you money, ask your electric utility to show you the full-color slide-film, "Modern Industrial Power Distribution," or contact your G-E representative.

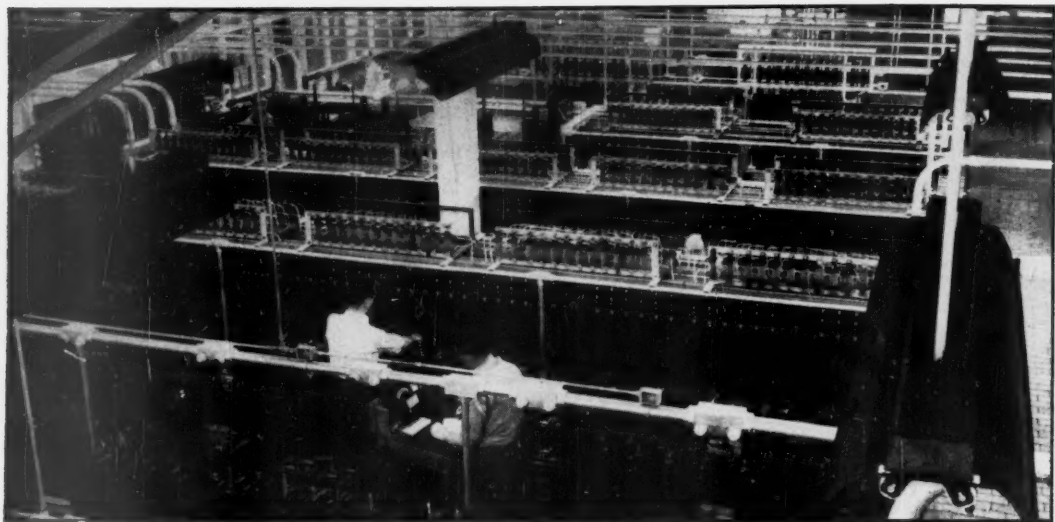
GENERAL



ELECTRIC

107-102

# PRODUCTION

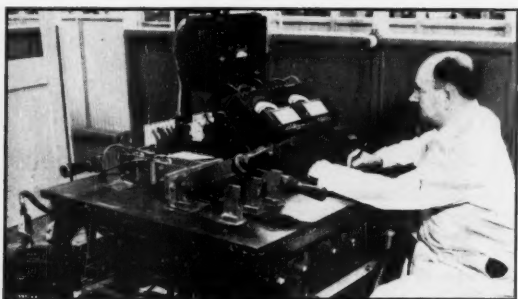


**LIFE TEST.** 324 batteries get an alternate charge and discharge until failure occurs. It takes 775 relays, 14 miles of wire to do this. Each battery can be controlled independently. And only two men are needed to do the entire job

## Better Testing Lab Helps Willard Build a



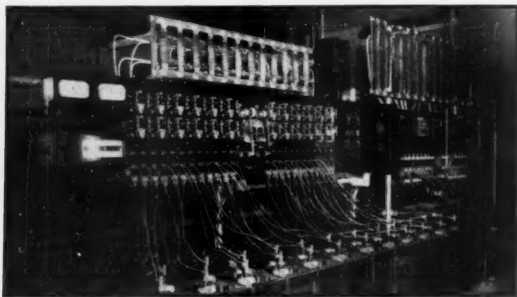
**REMOTE CONTROL.** Technician, juggling dials, can control the individual behavior of each of the 324 batteries



**CONSTANT DISCHARGE.** Special machine regulates accurately the electrical drain on a battery



**FREEZE TEST.** Army Ordnance batteries take a beating in the back room in minus 70°F weather



**"ROAD" TEST.** Batteries get charged by actual auto generators and voltage regulators





**OVERCHARGE.** Batteries in constant-temperature tank get an "overload" of electricity

## Better Battery

Specially tailored equipment, by providing more closely controlled conditions, gives more accurate test information.

Sometimes by spending money you can save money. That's what Willard Storage Battery Co. is finding out—in its product-testing laboratory.

- **Tailored**—Willard technicians—like those of other battery makers—have always had a tough time getting accurate results with conventional testing equipment. So the company has spent plenty on its testing machinery. Results: closer accuracy in test results; savings in labor costs; more time for engineers to do creative work.

It has taken three years to get the lab up to its present "pushbutton" state. This week, Willard took off the wraps, and visiting firemen came away with ideas of adapting the Willard innovations in their own labs.

- **Better Batteries**—It was apparent, too, that the answers Willard technical men are getting from their new equipment will lead to a more accurate and realistic approach to battery design. Once you're sure how a certain design behaves under various test conditions, you have the best possible guide toward design improvement.

For example, Willard engineers can

## The New Fast-Curing Plastic

### WHAT IS PLASKON ALKYD?

It's an exclusive new mineral-filled Plaskon plastic... a thermosetting molding compound that has many superior characteristics. Its fast-curing properties... in, out, and cured in as fast as 8 to 12 seconds... make possible a new approach to high-speed compression molding.

### WHAT ARE ITS FEATURES?

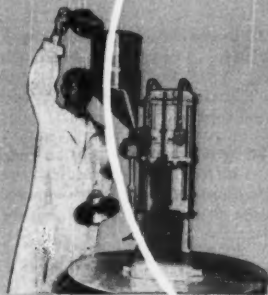
Plaskon Alkyd cuts curing time from minutes to seconds in many

# PLASKON ALKYD

## MOLDING COMPOUND

introduces  
a remarkable new technique  
in plastic molding!

IN



$\frac{1}{8}$ " thick plastic form takes from 8 to 12 seconds to cure. Other pieces  $\frac{1}{4}$ " or thicker will take about 30 to 40 seconds. No danger of overcuring: heat resistance of cured Plaskon Alkyd Molding Compound is greater than normal molding temperatures.

OUT

... and cured  
in 8 to 12 seconds!

### WHAT ARE ITS APPLICATIONS?

Plaskon Alkyd's high arc-resistance makes it ideal for some electrical applications—and its dimensional stability makes it especially well suited for use in molded products which must maintain a constant fit or size. Parts made of Plaskon Alkyd have already proved their worth as units in electrical circuits, and in many close-tolerance mechanical applications.

### HOW WILL PLASKON ALKYD BENEFIT YOU?

Because of Plaskon Alkyd's fast-curing and low-pressure molding properties, users of this unique new molding compound can manufacture plastic products more quickly and more economically. Molds are simpler and less bulky.

### SERVICE

The many features of Plaskon® Alkyd Molding Compound may effect unusual economies or developments in your products. An experienced Plaskon Service Engineer will give you complete technical details and arrange for a demonstration in your, or your molder's plant. Write or call us today.

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TRADE MARK REGISTERED  
**ALKYD**



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That's right . . . you can handle your office systems writing on blank paper . . . get better results . . . a dozen copies or a thousand . . . faster . . . at lower cost.

How? Use Davidson Pre-printed Paper Masters. They're paper-like reproducing Masters . . . pre-printed with any of your standard forms. Your typist merely fills in the variable matter just as she would type on a printed form. Easy to erase and correct . . . and no carbon paper interleaving to bother with.

Then . . . from this typed master, your Davidson Dual Duplicator will reproduce, on blank paper, both the form and the typed matter simultaneously and in perfect register.

And . . . here's the payoff. Every copy is an exact duplicate of the original . . . sharp . . . distinct . . . black. No fuzzy, faded characters . . . no broken lines . . . no smudged copies. There's little chance of error with every copy so perfectly readable.

It's economical, too. You have no investment in huge stocks of printed forms . . . no loss through obsolescence. A small supply of these low cost Masters is all you need. We'd like to tell you more about this modern method. Write today . . . no obligation.

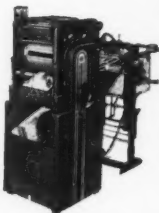
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# Davidson

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and PAPER MASTERS**

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A GENERATION OF EXPERIENCE IN THE MANUFACTURE OF OFFICE EQUIPMENT



now: (1) find out how different battery designs behave under all sorts of tough operating conditions; (2) run rigid tests on special-purpose batteries, such as the plastic-container, "nonspill" type; (3) develop batteries that will operate efficiently at wide ranges of temperature; (4) find out how to build batteries that will stand up under overcharging (which damages a standard battery as much as undercharging).

• **Life Test**—Perhaps the most complex piece of equipment in the lab is that used in conducting battery "life tests." That test requires that the battery be cycled (alternately charged and discharged) until it gives up. With old equipment, it took six persons to handle such testing; with the new setup two persons can "keep an eye" on 324 batteries at once. And only one of those two must be a technician; the other is a recorder.

Sitting at his panel board, the technician, by throwing one of a bank of switches, can charge, or discharge, or open-circuit, or read voltage on any one of the 324 batteries, which are in a room some distance away. The equipment requires 775 relays and 14 miles of wiring.

• **Constant Rate**—Another standard test for rating batteries is what is called "constant-rate discharge." That means the battery is electrically drained for a definite length of time, at a definite rate of discharge. Battery makers have always found this difficult because discharge rate through a fixed load changes as battery voltage drops.

Willard's special machine licks this problem. Discharge current can be varied all the way from 50 to 2,000 amperes; the discharge rate is held constant by electronically operated motor rheostats that vary the load on the battery



**PLASTIC TEST.** Special nonspill batteries in plastic cases are tested on a machine that handles currents ranging from 10 milliamperes to 6 amperes

as the charge drops. No manual switch-juggling is needed.

- **Too Much Charge**—Overcharging is an important cause of battery failure. So one goal in battery design today is to build in an ability to take overcharge. Willard is using special equipment to help develop such batteries.

In one setup, a constant-temperature tank (accurate to within one degree) holds 60 test batteries while they get an overcharge. (You need a constant-temperature tank because batteries overheat as the charge builds up; that would invalidate test results.)

- **Special-Purpose**—For testing plastic-container, nonspill batteries, Willard uses another special setup. Such batteries have between and around the plates a special porous insulation that holds about 90% of the electrolyte.

On a special board the engineers have 25 circuits available, any one of which can charge or discharge at any one of three rates. The board has an exceedingly wide range: Discharge currents from 10 milliamperes (0.01 amperes) to 6 amperes can be handled. It was developed specifically for testing the non-spill batteries, which require special discharge-rate conditions for testing.

- **Conventional**—Along with such special equipment, there are more conventional devices: vibrators that shake batteries to "death;" cold rooms that "freeze" them; machines that simulate driving conditions.

The laboratory has other activities, besides testing. For example, it makes a "scrap" survey every year: It gathers up about 1,000 used batteries of all makes, gives them an "autopsy" to see how the various parts have stood up in use. The results are made available to the entire industry. Another activity is product-quality control: Willard batteries are picked at random off the assembly lines in various plants, shipped to Cleveland where they are checked against design standards.

## JOB MARKET FOR DEGREES

What kinds of jobs do engineering graduates out of school a year have today? Here are some answers to the question, culled by Stanford University from a poll of 135 alumni:

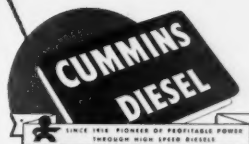
More than a third (51) are in manufacturing; 28 have government jobs; 23 are with consulting firms or schools.

Half the entire lot are doing technical work; a quarter are in research and development.

On the bachelor-of-science level, civil engineers topped their fellows in other branches with a salary averaging \$290 a month. Masters degrees commanded the most in electronics; the average was \$328 a month.

In general, a M.S. brought \$36 a month more than a B.S.

COST RECORDS PROVE  
**Cummins Diesels**  
*Save Fuel*



SINCE 1919, PIONEER OF PROFITABLE POWER THROUGH HIGH-SPEED DIESELS



**ANNUAL SAVINGS**

**\$2626<sup>50</sup>**



A fleet operator's yearly fuel bill for a truck powered with a Cummins Diesel Engine is \$2,626.50 less than the fuel cost for another truck, powered with a gasoline engine and used on the same haul.

**ANNUAL SAVINGS**

**\$1138<sup>80</sup>**



A contractor saves \$1,138.80 on fuel annually with every Cummins-Powered earth mover in his fleet... the difference between Cummins' fuel consumption and that of another make of diesel on the same job.

This fuel economy comes from the *Exclusive Cummins Fuel System*, a development of 30 years of "imagineering" by Cummins, pioneer in the high-speed diesel field. Write for Bulletin 5263-B and specific information on how Cummins Diesel Engines solve power problems like yours profitably.

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Are you still

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HEADQUARTERS FOR BUSINESS

publications

When manufacturing was largely a hand operation, selling could afford to be leisurely. It was, in fact, bad taste even to discuss your product with a prospect before you had gone through the formalities of inquiring about his health, the welfare of his family and what the general business outlook was.

# selling by "hand" methods? ... products you make by machine!

Today you make your products by fully mechanized methods. But are you using equally MECHANIZED SELLING methods?

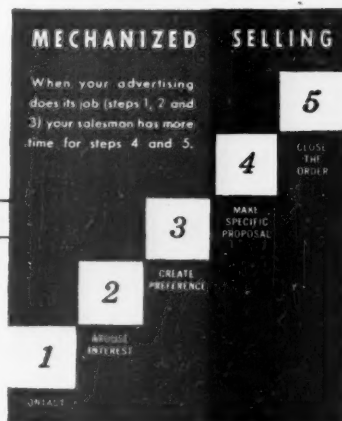
MECHANIZED SELLING uses the high speed and low cost of ADVERTISING to free your salesman of the load of preliminary, time consuming chores.

MECHANIZED SELLING frees him of the costly task of making initial contacts, arousing interest and creating a preference for your product. MECHANIZED SELLING can do all this before he ever appears on the scene. With the help of MECHANIZED SELLING your salesman is free to concentrate his specialized skills and limited time on those all-important steps of making a specific proposal and closing the sale. It's as true of sales as it is of production: the more it's mechanized, the lower the unit cost to you.

*You will find a detailed discussion of the importance of MECHANIZED SELLING in McGraw-Hill's new booklet, "Orders and How they Grow". Ask your McGraw-Hill man for a copy, or write us today.*



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Look  
*into this!*

**E**VEN the picture gives you some idea of the rugged construction of the 'Load Lifter'.

But to know the secret of its amazing endurance, to understand its ability to solve the toughest lifting problem, you would have to look into the hoist.

For therein are special features built into the 'Load Lifter'. (You will not find all of them in any other hoist.) These features are the open secret of low-cost lifting, minimum upkeep, safety for man, load and machine—and above all, dependability. The ball-bearing motor is entirely enclosed keeping out dust, grit and oil seepage. There is a two-gear reduction drive—for efficient operation. The "one-point lubrication". There are fool-proof upper stops and lower safety blocks.

Summing up the qualities of this strong honest hoist—it will take care of your lifting job, no matter how strenuous and cost you much less for lifting. Can any hoist do more?

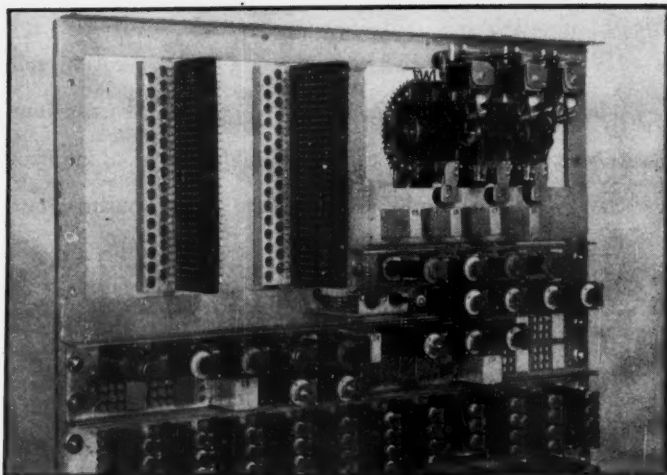
'Load Lifter' Electric Hoists are built with lifting capacities of 500 to 40,000 lbs. in all combinations required for industrial needs. They are adaptable to almost every working condition within their capacities. Send for Catalog No. 215.



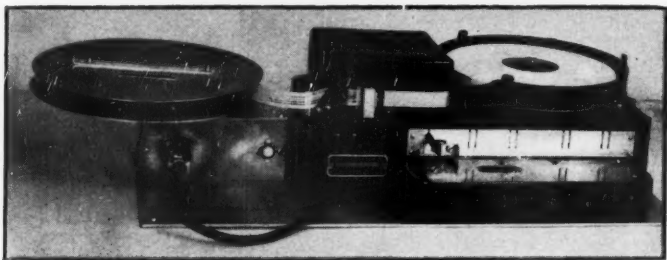
**'LOAD LIFTER'**  
*Hoists*

**MANNING, MAXWELL & MOORE, INC.**  
MUSKEGON, MICHIGAN

Builders of 'Show-Box' Cranes, 'Budgit' and 'Load Lifter' Hoists and other lifting specialties. Makers of Ashcroft Gauges, Hancock Valves, Consolidated Safety and Relief Valves and 'American' Industrial Instruments.



**1** Automatic accountant "remembers" everything a phone company needs to know about a toll call. When the subscriber hangs up, the stored information is sorted to . . .



**2** Tape perforator, which punches the data on a paper tape. The tape can be routed into a punch card machine for billing, or sent to a "toll ticketer," which produces . . .

DATE JANUARY 12	*01-12*0954*324-5367*1*937-2148*3*11*
CLOCK TIME 9:45 A.M.	
CALLING STATION EAST 4-5367	
CLASS OF CALLING STATION	
CALLED STATION WEST 7-2148	
RATE BETWEEN CALLING & CALLED AREA	
TOTAL CONVERSATION TIME (MINUTES)	

**3** Toll ticket that shows in code numbers the vital facts on a particular call

## Mechanical Bills

Mechanized bookkeeping system planned by West Coast company has machines that not only record calls but make bills.

Some small, independent telephone companies keep their research cars cocked, like the big operators. And they follow through on what they learn.

• **No Hands**—Such a company is Sunland-Tujunga Telephone Co., California. Within the next few months, it will completely mechanize toll-call accounting. Hands and heads are practically out of the picture. Automatic equipment will prepare toll tickets; punchcard machines will replace typewriters and accounting machines. All recording and accounting procedures—from the time the subscriber lifts the receiver to the time his bill for the call is made out—will be done by machines instead of girls.

Not long ago, Bell Telephone Labo-

ratories took the wraps off its automatic accounting system (BW—Dec. 11 '48, p21). The Bell machines take the message data, figure the length of the call, print up the data ready for posting.

• **Further Step**—Sunland's proposed system goes a step further: It makes up the final bill from the recorded data, too. All the girls will have to do is transfer teletype-like tapes and tabulating cards from one machine to another.

Automatic toll-ticketing isn't entirely new to the small phone companies. With their smaller installations they can often experiment with innovations before the big Bell outfits are ready to. The Strowger system to be installed by Sunland was developed by Automatic Electric Co., Chicago, several years ago. An experimental installation was completed at the Santa Monica exchange of Associated Telephone Co., Ltd., in 1944.

• **Strowger System**—Here's how the Strowger system works. Instead of giving the toll-call number to an operator, the subscriber dials the exchange and number he is calling. (The system is used only on suburban calls, now.) The equipment gets the signal to listen in when the caller starts to dial. The equipment records the call and the number; it notes the date, length of call, the calling subscriber's service classification, unit rate, and anything else the biller needs to know. It can also compute the charges.

• **Punch It Out**—When the caller hangs up, that gives the system another signal. The equipment starts turning out a punched tape to register what it has just "heard." The tape is like a teletype tape (Bell's machine embosses rather than punches a tape). Once the information is registered, the tape can be fed into a machine that will convert it into a toll ticket for billing. Or, and this is what the system will eventually do, it can be fed into another machine that converts the punches right into a final bill.

The heart of the system is a bunch of electromechanical switches and relays. These guide the call, and do the "remembering." The system includes the Strowger Automatic "Director." This translates the exchange code dialed by the subscriber into a sequence of digits, and thus routes the call over the preferred lines. If the routes are busy, it can choose an alternate route. The director also can distinguish between local and extended-service subscribers and determine which calls are charge, which are free.

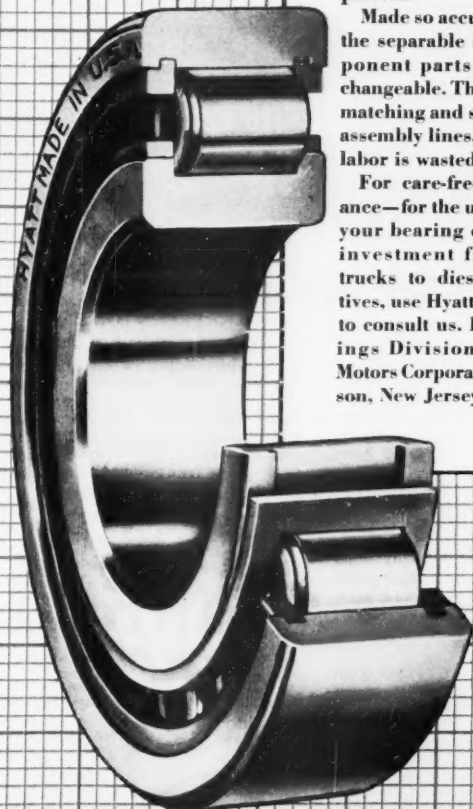
Sunland will feed the teletype tape information through International Business Machines equipment that works with conventional I.B.M. accounting cards. The cards will carry all data in the form of punches. Stuck into other machines, they can print up bills, tote

## A PRECISION PRODUCT FOR PERFECT PERFORMANCE

Take any Hyatt Hy-Load Roller Bearing of a given type and size from stock and you will find it a precise duplicate of a like Hyatt Bearing you may be now using, micro-precision perfect.

Made so accurate that in the separable types, component parts are interchangeable. This means in matching and selecting on assembly lines, no time or labor is wasted.

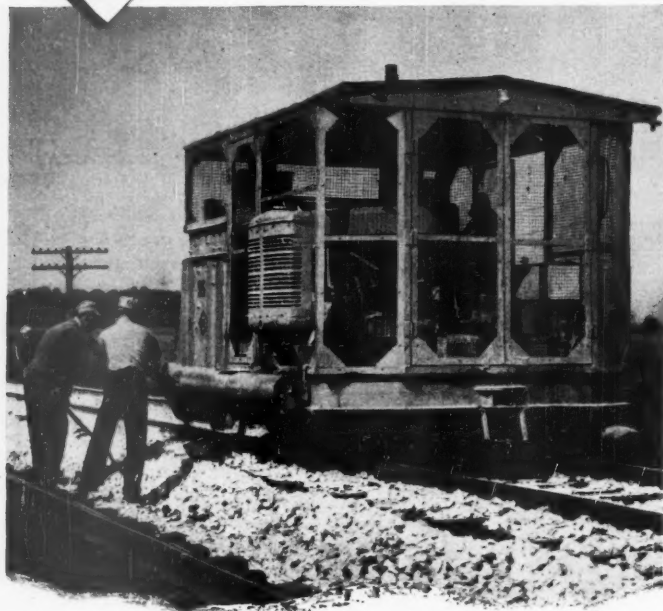
For care-free performance—for the utmost from your bearing equipment investment from hand trucks to diesel locomotives, use Hyatts. Feel free to consult us, Hyatt Bearings Division, General Motors Corporation, Harrison, New Jersey.



## HYATT ROLLER BEARINGS



...Mark of **PROGRESS** in Railroading



## Thanks to the "Rolling Bird Cage"

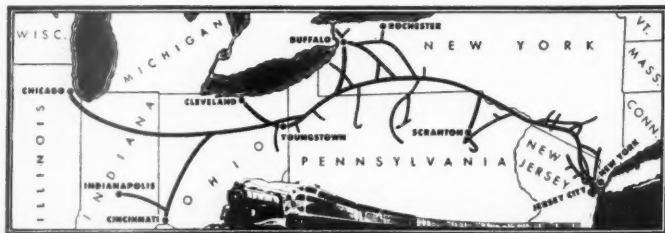
ANY RAILROAD MAN will tell you that the key to smooth riding for both passenger and freight trains is a well-maintained, stone ballast roadbed. So it's small wonder the Erie is proud of its main line, completely stone ballasted all the way from New York to Chicago.

Erie's "rolling bird cage" (properly known as a power ballast machine) is shown here helping to keep the roadbed in top condition. Working with a series of eight tampers that push the ballast under the ties and pack it down evenly for smoothest riding, this ingenious machine does the job faster and better.

Of course, the power ballast machine is only one of the important reasons for Erie's famed roadbed—one of the best maintained in all America. It does point up how Erie's progressive railroading works continuously and efficiently on the job of providing safe, dependable transportation for both passengers and freight.

## Erie Railroad

Serving the Heart of Industrial America



up statements, do other accounting tricks.

• **Wide Field**—There are about 5,700 independent phone companies in this country now. They serve about two-thirds of the area of the U.S. In all, U.S. phones number about 38-million; of these, Bell has about 31.3-million, or 80%; the independents have the rest.

The independents carry on research programs in cooperation with independent suppliers like Automatic Electric, Stromberg-Carlson, Kellogg Switchboard & Supply, North Electric, and others.

• **Toll-Dialing, Too**—Automatic toll-ticketing isn't the only trick in the independents' bag. They have been working for some time on operator toll-dialing (BW—Jan. 15 '49, p. 44). Their claim: They used it—on a small scale—30 years ago.

## Finding New Ways To Use Cannery Waste

Meat packers have a big advantage over other food processors: They can squeeze byproducts out of everything but the squeal. Not so, fruit and vegetable processors. They get little benefit from plant wastes—worse, even have to pay to dispose of trimmings, cores, pods, and shells. And they are constantly on the hook for polluting streams.

Steady work on the problem has been underway at two Pacific Coast colleges. Now researchers have made enough progress to talk about their two projects.

• **Methane Gas**—At Oregon State College the job has been to turn pear waste into fuel. A pilot plant has operated continuously for eight months making methane gas through anaerobic fermentation of the waste. It converts 1 lb. of fresh pear waste into 1.05 cu. ft. of methane.

An average packing plant handling 100 tons of pears a day produces some 40 tons of waste. This contains about 81-million B.t.u.—enough to fire a 100-h.p. boiler operating 12 hours a day. In the Northwest, Prof. Ernest H. Wiegand of the college points out cannery waste from pears alone is around 36,000 tons a year.

• **Industrial Alcohol**—At Washington State College, industrial alcohol is being produced at what are said to be competitive prices. With the help of Joseph E. Seagram & Sons, Inc., researchers have developed a fermenting and distilling unit that can be built for \$184,000 and be moved to canneries on five railroad cars throughout the season. Four men could handle 50 tons of waste, produce something over 500 gal. of alcohol a day.

In the process, cannery waste is ground, sterilized, fermented with yeast,

and distilled. This produces 190-proof alcohol at a cost of 44¢ a gallon. Another 27¢ a gallon is required for drying the residue, now being experimentally used as animal feed.

## PRODUCTION BRIEFS

**More big turbines** came out of Westinghouse last year than ever before. More than 2-million kw. of turbine capacity were shipped to power plants. That's 43% above 1947's record.

**Sound tracks** for movie films are now being made on the principle of the magnetic tape. Eastman Kodak (under license from Armour Research Foundation) sprays on a magnetic coating. Eastman will sell you raw film with the coating on it, or will spray a coating on film you have already exposed. Bell & Howell, Revere Camera, and Ampco Corp. have projectors with magnetic sound attachments in the works.

**G. M.** will start production of torque converter transmissions for the Army's General Patton tank in September. The order runs to \$40-million.

**Electronic control** for deep oil-well drilling, worked out by Minneapolis Honeywell, keeps weight on the bit constant no matter what the subsurface formations. That means faster drilling, fewer equipment losses, says the company.

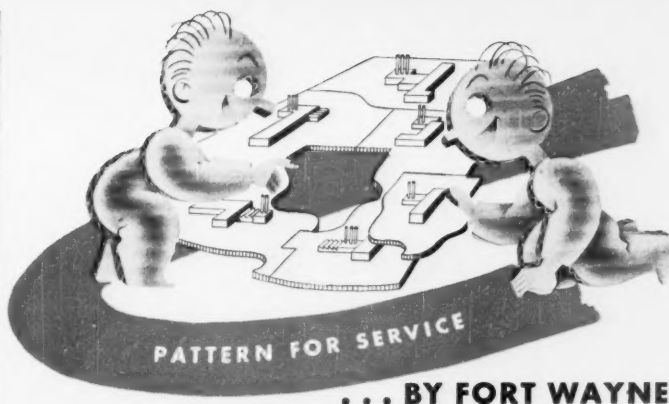
**Vinyl plastic film** will be made by William Whitman Co. The New England textile maker has set up a new Lynn (Mass.) subsidiary to do the job.

**Lustrex label** will now appear on all Monsanto's polystyrene products. It will streamline the company's trade names.

**Of the energy consumed** in the U. S.—about 1-billion B.t.u. a second—less than a third is used productively. William M. Holaday, research director of Socony Vacuum, says a big offender is the automotive field, where use efficiency is about 6%.

**Symposium on sampling** by American Society for Testing Materials has been published as a booklet (\$1). To get a copy write A.S.T.M., 1916 Race St., Philadelphia 3.

**Road builders** will get their annual briefing on new construction developments from the American Road Builders' Assn. Sessions will be held in Washington, Feb. 7 to 9.



Fort Wayne's widespread plants and mills are integrated in a pattern of operations designed for the best possible service to the shippers of America. Four strategically placed manufacturing plants in major shipping areas, a huge affiliate kraftboard mill, a bustling strawboard mill...all Fort Wayne's laboratories, research facilities, sales and service organizations, personnel...fit efficiently in this modern-day pattern developed through 40 years of specialization in the manufacture of corrugated containers. Result? Complete product uniformity, complete quality control, creative accomplishment in container design, development, production. And—important in these days—on-time delivery as specified. America's greatest shipping areas—many of America's greatest shippers—know Fort Wayne's integrated pattern for service.

They gain its benefits every day.

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CORRUGATED PAPER PRODUCTS

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CORRUGATED PAPER COMPANY

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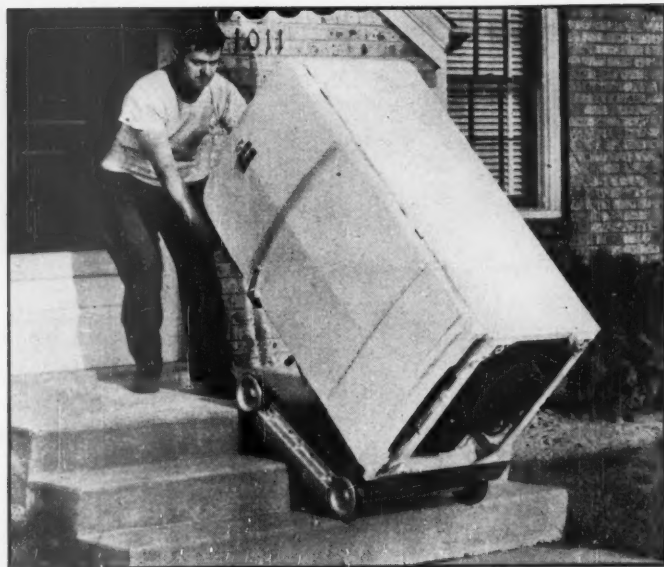
### Sales Offices:

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Dayton, Ohio • Lima, Ohio • Newark, Ohio • Indianapolis, Ind.  
Muncie, Ind. • Pittsburgh, Penna. • York, Penna.

	FABRICATION RATING											
	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
120												
110												
100												
90												
80												



## NEW PRODUCTS



### Stair-Crawler

Another stair-climbing cart has cropped up in the equipment field. This one, the Trak-Truk, carries a 500-lb. load on a crawler base with rubber belts. American Machine Works, Inc., Racine, Wis., is the manufacturer.

Two endless rubber belts run over grooved aluminum wheels, which are mounted on antifriction needle bearings. Guides with built-in roller supports keep the belts in line. The load is carried entirely by the belts; you keep them at proper tension by adjusting the rear wheels.

The crawler base pivots on two steel plates welded to the tubular truck frame. You can tilt it to make it conform to the incline of the stairs. Brakes on the front wheels of the cart are worked by a cable pull on the truck handle. On level surfaces you can retract the crawler base, run the unit like any standard two-wheel hand truck.

• Availability: 10 days.

### Concrete Paint

Tremco Mfg. Co. has a new enamel for concrete made from a special rubber base. Called Colorfloor XX, the covering is said to be completely resistant to the lime in cement.

The enamel dries in about 24 hours, stands up under acid, alkali, soap, oil, grease, or alcohol. It reportedly has good abrasion resistance and will leave no lingering odors. Made in red, gray, and

dark green, the covering will protect against dampness and mustiness; it can be applied without special primers or sealers. Tremco's address: 8701 Kinsman Rd., Cleveland.

• Availability: immediate.

### Pressure Sprinkler

A new lawn sprinkler has been designed specifically to lick the problem of insufficient water pressure. It's made by Aqua-Spray Lawn Sprinkler Co., 439 East Fort St., Detroit.

Here's how the system works: Water flows into it through a relay valve with eight outlets. Each outlet is connected by 1-in. pipe to four sprinkler heads, which take care of one section of lawn. The relay valve sends water through one outlet at a time for about a minute, then shunts it to the next one.

Aqua-Spray says its system is highly efficient. Reason: Intermittent spraying allows time for seepage between each spray period; no surplus water runs off the lawn. The company says the system will water lawns up to 3,000 sq. ft.

Another advantage: You can adjust the heads for spraying lawns of various shapes without wasting water on sidewalks or driveways. Valves and heads are all-bronze.

• Availability: immediate.

### Outside-Inside Control

A new temperature control solves the problem of getting rooms warmed up

when you want them to be. The regulator has gone into production just recently at Automatic Devices Co.'s Weather Controls Division.

The Weather-Chron is installed outside the building. Instead of setting it for the time you want heating to start, you adjust for the time when the rooms inside should be fully warmed. During the night, the instrument automatically shifts the time for the heat to go on as the temperature changes. When the mercury drops, the time is pushed ahead; when the weather turns warmer, it is put off nearer to the opening of the office day.

The Weather-Chron is wired into the regular room thermostat circuit. During the day, the room thermostat maintains the building temperature at its normal level.

On extremely cold nights, when temperature dips below a preset mark, the Weather-Chron will hold building temperature at its daytime level. When an extreme low is reached after heating has been shut down for the night, heating starts up again regardless of time. Weather Controls Division headquarters are at 53 W. Jackson Blvd., Chicago 4.

• Availability: two to three weeks.



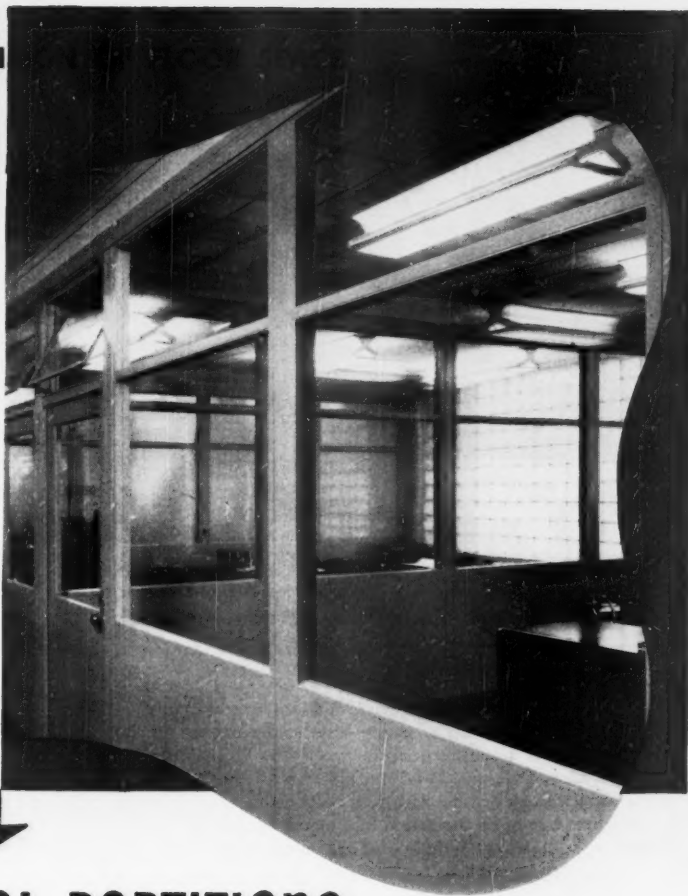
### Shockless Hammer

A nonrecoil hammer built with plastic tips lets you pound away on furniture or auto-body parts without marring the finish. Designed by Tahlen Metal Industries, Ltd., 685 E. Hastings St., Vancouver, B. C., the hammer has a hollow metal head with a built-in charge of steel grit.

When you lower the tip of the hammer, the charge follows the downswing. That, Tahlen says, practically eliminates recoil of the hammer after it has struck. The blow that results is about 30% harder than the impact of an ordinary



FACTORIES  
EVERY TYPE OF  
INDUSTRIAL AND  
COMMERCIAL  
BUILDING



## MILLS METAL PARTITIONS

FOR more than twenty-eight years The Mills Company has devoted itself exclusively to the design and manufacture of movable steel partitions. The unexcelled quality of Mills Metal Partitions in thousands of buildings of every type throughout America reflects the concentration of engineering, craftsmanship and production facilities upon this single purpose.

The new Mills Metal Partitions Catalog No. 49-O represents, in printed form, the knowledge and experience gained during these twenty-eight years of work in this field. It was designed as a practical, convenient "working tool" for architects and all who deal with the problems of flexible space divisions in commercial, industrial and institutional buildings.

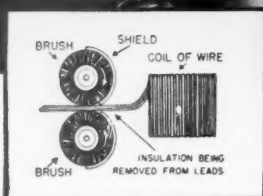


You'll find this new 44 page Mills Catalog bound into Sweet's File, Architectural, for 1949—or we'll be glad to send you an easy-to-handle copy for your individual use. Just ask for Catalog 49-O.



## THE MILLS COMPANY

963 WAYSIDE ROAD • CLEVELAND 10, OHIO



Schematic Drawing of typical Wire Stripping Operation.

**STRIPPING** formvar enamel insulation from copper lead wires in rotor fields to insure solid solder contact in the commutator is a feature performance at the Wagner Electric Corporation, St. Louis, Mo. Principal stars of the "show" are Osborn Ringlock Brushes with their cost-cutting act of stripping lead wires free of all insulation in a matter of seconds... with lead ends "clean as a whistle" for automatic soldering.

A special wire stripping machine provides a fixture in which a rotor is placed with wires extended and rotated at 8 R.P.M., forcing the wires between counter rotating Osborn Ringlock Brushes, revolving at 3450 R. P. M., that strip approximately 1 in. of insulation, 1½ in. from the end. Rotor is then removed from the fixture and the lead wires trimmed to length within the cleaned area.

This is just one of hundreds of industrial applications in which Osborn Power-Driven Brushes are playing a stellar role. If you are faced with rising production costs it will pay you to investigate. There is no obligation.

**THE OSBORN MANUFACTURING COMPANY**  
5401 Hamilton Avenue Cleveland, Ohio



WORLD'S LARGEST MANUFACTURER OF BRUSHES FOR INDUSTRY  
POWER DRIVEN BRUSHES • PAINT BRUSHES • MAINTENANCE BRUSHES

hammer, company engineers report. The two plastic tips measure 1½ in. in diameter, are made of Tennessee Eastman Corp.'s Tenite. They are force-fitted onto grooved nipples in the hammer head; it's almost impossible to loosen the assembly, Tahlen says. The plastic is resilient, won't crack or flake under heavy impact. H. F. Soderling Co., 1745 Fourth Ave. South, Seattle, handles U. S. distribution.  
• Availability: immediate.



### Dressed-Up Dispenser

Lily-Tulip Cup Corp. thinks that its new telescoping, plastic cup dispenser stacks up as a counter showpiece.

It's made of polystyrene in a red-and-gray color scheme. Industrial designer Gerald C. Johnson has arranged the three telescoping sleeves so that a fresh cup is always ready at the top. Loading is simply a matter of removing the sleeves, dropping in a new stack of cups. The dispenser is compact (the base measures 6½ in.), but it holds 250 cups and will take seven different sizes. When you switch to a bigger or smaller cup, you merely change the collar at the top of the sleeves. Company headquarters: 122 E. 42 St., New York 17.

• Availability: immediate.

### P.S.

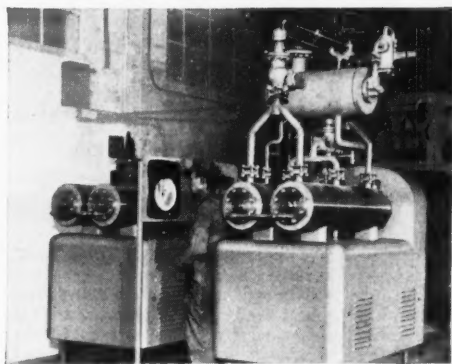
Electric floor polisher is light enough (7 lb.) to be picked up to buff tables, counters, and walls. Spring-powered disc brush runs at 5,000 r.p.m. to 7,000 r.p.m. Maker: Chase Mfg. Corp., 3634 Bailey Ave., New York 63.

Pail heater will warm water or liquid foods for livestock. You can hang it any place you have an electric outlet. Heating element goes inside the pail, warms 2 gal. of water to 119F in 12 min., says the maker—H. D. Hudson Mfg. Co., 589 E. Illinois St., Chicago.



**IT PAID to kick out the kettle...**

**on this 275,000 GALLON  
cooking job!**



For centuries, kettle cooking methods have served mankind well enough. This is the case no longer when it comes to modern, large-scale industrial heat transfer with viscous and liquid materials—and the important business of keeping costs in line with profits.

For example a certain textile printer who cooks 275,000 gallons of starch paste per month, for printing gum. This big heat transfer job got too expensive with the traditional open-kettle system. So he saved himself \$3,000.00 per month by changing to continuous, closed, controlled cooking, cooling, and plasticizing with VOTATOR heat transfer apparatus.

So it goes with just about any viscous or liquid material, from foods to chemicals, to petroleum products, to what have you. VOTATOR heat transfer apparatus, process design, and plant construction mean good fortune for more than one major industry, on problems of cooking, cooling, deodorizing, crystalizing, hydrogenating, aerating, emulsifying, molding.

If you process a viscous or liquid material, it's good business to let a VOTATOR engineer check the effectiveness of present methods.

VOTATOR is a trade mark applying only to products of The Girdler Corporation.

THE **GIRDLER** CORPORATION

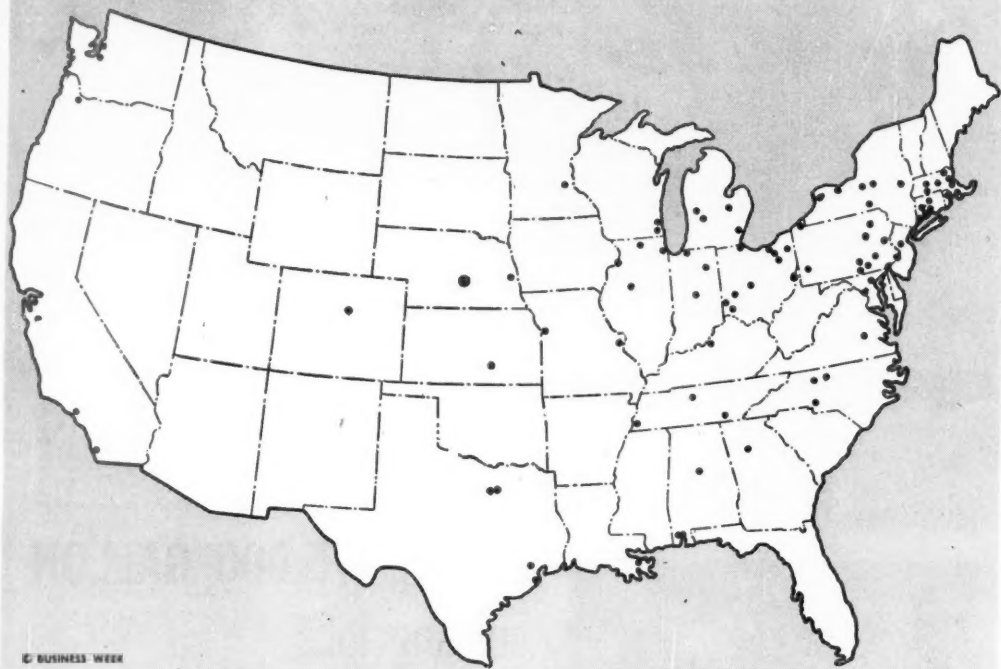
**Votator** DIVISION

LOUISVILLE 1, KENTUCKY

Heat transfer apparatus for the continuous closed, controlled processing of viscous and liquid materials.

# MARKETING

## Where the Big Urban Markets Are



TOUGHEST PROBLEM is not where the big markets are, but how much territory each covers. That's why federal agencies are . . .

## Remapping Metropolitan Areas

All agencies will use the same area when reporting population, income and other marketing data.

Where do you turn for help when you lay out sales territories and assign dealerships for a new product?

Probably to Washington, D. C. There, in the cavernous files of various federal agencies, your market-research department will find some of the best marketing information in the world. It will help answer vital questions—where the population is concentrated, income levels, whether it's a rural or industrial economy.

• **Many Middletowns**—The chances are also good that before your researcher finishes trying to correlate all the data from different agencies, he will have thrown up his hands in despair.

Why? Because not all agencies mean the same thing when they say "Middletown." The U. S. Employment Service

might include a dozen square miles inside the "metropolitan" area that the Census Bureau excludes. There might be—and sometimes are—as many Middletowns as there are agencies.

• **Redefining Job**—But there may not be so many Middletowns much longer. Last week representatives of a dozen government agencies met for a final review of their two-year study of the question: What is a metropolitan area? Their immediate objective: to fix the limits of the 80-odd top metropolitan areas in the country. Later they will get to work on another 50 or so.

Hanging over the committee is a Feb. 1 deadline for 1947 Census of Manufactures tabulations. Census officials will pare the committee's areas down to about 55. Detailed marketing informa-

tion on these areas will be published in the census report.

• **Information**—Included in this census will be such information as the total employment of an area; employment of production workers; total wages and salaries; value added by manufacture; expenditures for new plant and equipment in 1947.

The census will also tabulate by industry the number of establishments in an area.

Detailed information will be provided on metropolitan areas, less detailed data on some 200 industrial counties.

In the past, four definitions of metropolitan areas have been widely used:

• **Metropolitan districts** have been used by the Census Bureau in the population census. These consist of a large central city and all the adjoining territory with a population density of 150 or more per square mile.

• **Industrial areas**, used by the Census

of Manufactures, have been defined on county boundaries.

**Labor market areas** are employed by the U. S. Employment Service for local labor-market analysis. They're based primarily on the commuting area.

**Metropolitan counties** were developed by the Census Bureau for war-time population estimates—because Office of Price Administration registration data, on which these estimates were based, were available only on a county-wide basis.

About two years ago the Bureau of the Census and the Budget Bureau's Division of Statistical Standards decided that this hodge-podge would no longer do. So a series of conferences began with the aim of working out a "standard area."

• **Interagency Committee**—Every government agency that published statistical information on an area basis got into the act. The group was called the Interagency Committee on Standard Metropolitan Areas.

It soon became apparent to the committee that the standard definition would have to follow county lines, since much statistical information is available only on a county basis. The only exception has been in New England, where the well-recognized traditional town lines were used.

The committee felt that each standard metropolitan area should be an integrated economic unit. That way it would serve not only for local population, industry, and trade statistics, but for labor-market analysis and other purposes. This meant that it should include the homes of those who work and shop in the central city. It should only extend as far as good roads and public transportation were available, and distances shouldn't be excessive.

Here are a few yardsticks that the committee set up as "musts" for a Standard Metropolitan Area: There must be a central city with at least 50,000 inhabitants. The area in which the city is located must have at least 100,000 inhabitants. Where two cities of 50,000 or more persons lie within 20 miles of each other, they are to be included in a single area. State lines don't matter; a single area can include counties in two or more states.

• **Tentative Definitions**—After setting these standards, the committee asked the Census Bureau to take over the preparatory research and draw up tentative area boundaries.

As the Census subcommittee worked out its tentative definitions, field men checked with state and local chambers of commerce, planning commissions, research groups. And it wasn't long before they found themselves butting heads with local boosters.

• **Objections**—Some of these local groups wanted to shoehorn as many counties

as possible into their areas so prospective industries would be attracted. Some cities didn't want to be included in the same area with a rival.

Usually the field men were able to pacify the local boosters by explaining the "why" of the standard definitions. About a dozen areas convinced the subcommittee that the definition should be changed.

• **Big Problems**—The biggest kick came from San Francisco. The Bay Area Council and the Chamber of Commerce wanted to get the entire San Francisco Bay area of nine counties included. Thus far the subcommittee is sticking to five counties.

Currently there are less than half a dozen areas which present a real problem in definition. One, for instance, is the tremendous New York area. The problem is whether to break it down into two or more areas or consider it as only one. As one area, it would cross two state lines, into New Jersey and Connecticut.

## Wallachs Ad Series Sells Store Personality

Got a loose button? Spots on your coat? Wallachs will fix you up. The chain of men's retail shops in metropolitan New York (a Hart, Schaffner & Marx subsidiary) is in dead earnest. Behind its cordial invitations, running in the New York-New Jersey papers right now, you can feel the pressure of a buyers' market.

• **Service Without Strings**—Three times a week, Wallachs sets out to sell itself through airy, informal advertising. It wants to create a distinctive personality, as the place where the public can get free service with no obligation to buy. Typical of the series is this one:

"Lost the hang of it?"

"One of life's minor irritations is a broken hanger in the collar of a coat. It irritates the owner. It irritates the check-room girl. And it irritates the owner's wife because it can be pesky to repair."

"We suggest a solution. If the hanger on your topcoat, raincoat, or overcoat should give way some morning, hurry over to Wallachs. If unstitched, we will stitch it back. If broken, we will replace it. We may not be able to match the coat material, of course, but we'll do the best we can from our assortment of spare hangers. No charge. Just another small facet of Wallach's friendly service..."

• **Responsive**—John D. Gray, president of Wallachs, doesn't know whether the ads have brought in more sales. He does know that they have raised store traffic noticeably. The one about removing spots brought in 3,000 spotty people.



## WHEN THE FIRST AIRCRAFT WERE BUILT IN THE WEST

**PACIFIC-WESTERN**  
GEARED PRODUCTS  
had been in use  
for 15 years

When aircraft were first built on the west coast, years before the first World War, "PACIFIC-WESTERN" was already long established as a principal supplier of gears and geared products to the industries of the west.

PACIFIC-WESTERN aircraft actuators, precision-quality aircraft gearing and many other types of ground and air equipment are now known throughout the industry. Continual research and testing programs are carried on within our plants to aid in solving difficult present-day aeronautical problems.

**In the west, it's  
PACIFIC-WESTERN  
geared products**

In the pulp and paper, chemical, mining, petroleum, fishing, food and all the other industries, "PACIFIC-WESTERN" is again the primary supplier of gears and geared products designed and built for the specific needs of each industry.

We are both proud and careful of our more-than-50-year record as gearmakers to western industry.

When you need geared equipment for your western plant, be sure to make use of our specialized engineering experience and our three large plants with the finest gear-making facilities in the west.

Write, wire, or phone  
for assistance on your current  
geared-drive needs.

Western Gear Works, Seattle 4, Wash.  
Western Gear Works, Box 192, Lynwood, Calif.  
Pacific Gear & Tool Works, San Francisco 3, Calif.  
Sales Representatives:  
Houston • Portland • Salt Lake City

**PACIFIC WESTERN**  
GEAR PRODUCTS



**PROMPT DELIVERY**

**these new  
shears have  
everything**



**Columbia**

### STEEL SQUARING SHEARS

Products of 75 years of shear-building experience, New Series Columbia Steel Squaring Shears offer every feature for speed, accuracy, ease of operation, safety and versatility.

**Quiet, Vibration-Free Worm Drive**—one-piece, chrome-nickel worm and shaft; ball bearings; special bronze worm gear; operates in oil-tight case.

**Positive, Solenoid-Valve Actuated Clutch**—six hardened alloy-steel jaws, direct-connected to squared end of eccentric shaft. Convenient foot-switch control.

**Motorized Back Gauge**—simplified chain and sprocket drive; self-locking adjustment. Vernier dial. Easily set within 1/128".

**Hydraulic Hold-Downs**—positive; every hold-down exerts same pressure. Prevent slippage, promote accuracy.

**Rigid, Welded Rolled Steel Construction**—stronger, lighter—minimum deflection, longer life.

**Long Life Blades**—outlast four ordinary blades.

**Other Features**—long, uninterrupted slideways; front adjustment of upper blade holder; one-piece, heat-treated eccentric shaft with eccentrics forged integrally; stainless steel scales; centralized lubrication; improved finger guard; many safety features.

**Capacities**— $\frac{1}{2}$ " to  $1\frac{1}{4}$ " in mild steel. Write for Bulletin 900.



**Columbia  
CONTRACT SERVICE**

You are invited to use Columbia's extensive engineering and production facilities for designing and building special machinery. Write for details.

### COLUMBIA MACHINERY AND ENGINEERING CORP.

One of America's largest designers and builders of Shears, Press Brakes, Hydraulic Presses, Veneer and Plywood Machinery and Special Machinery.

HAMILTON, OHIO

## How Cigarette Brands Line Up

Brand	Estimated Domestic Sales Billions of Cigarettes			% of Total	
	1948	1947	% Change	1948	1947
Lucky Strike (American Tobacco)	102.5	102.0	+ .5%	29.3%	30.4%
Camel (R. J. Reynolds)	96.0	99.0	— 3.0	27.5	29.5
Chesterfield (Liggett & Myers)	74.0	70.0	+ 5.7	21.2	20.8
Philip Morris (Philip Morris)	28.5	23.0	+23.9	8.1	6.9
Old Gold (P. Lorillard)	16.0	14.6	+ 9.6	4.6	4.3
Pall Mall (American Tobacco)	13.5	11.5	+17.5	3.9	3.4
Kool (Brown & Williamson)	6.5	5.0	+30.0	1.8	1.5
Tareyton (American Tobacco)	4.5	3.6	+25.0	1.3	1.1
Raleigh (Brown & Williamson)	3.0	3.0	.....	.9	.9
Wings & Avalon (Brown & Williamson)	1.5	1.5	.....	.4	.4
Marvel (Stephano Bros.)	1.0	1.2	—16.7	.3	.4
Miscellaneous	2.5	1.5	+66.7	.7	.4
<b>Total</b>	<b>349.5</b>	<b>335.9</b>	<b>+ 4.0</b>	<b>100.0</b>	<b>100.0</b>

## Cigarettes Set New Record

Sales rose 4% in 1948 to 350-billion cigarettes. Big Three—American Tobacco, R. J. Reynolds, Liggett & Myers—hold lead. Philip Morris soars. Despite higher costs, industry shows net profit.

In 1948, for the ninth year in a row, U. S. cigarette smokers puffed their way to new nicotine consumption records.

Total sales soared to a massive 350-billion cigarettes—about 4,000 butts for each smoker in the U. S. This was a 4% increase over 1947's record of 336-billion units (BW—Jan. 17 '48, p. 42). The jump shows up in a survey for BUSINESS WEEK completed last week by Prof. Charles W. Williams, the University of Louisville's expert on trends in the tobacco industry.

• **Big Three**—The market moved up just about all along the line: none of the leading brand manufacturers changed places in sales rank. And the "Big Three" (Lucky Strike, Camel, Chesterfield) still got the lion's share.

Lucky Strike (American Tobacco Co.) topped its 1947 record slightly to keep on top of the heap for another year. Camel (R. J. Reynolds) slipped a bit, but not enough to lose the red ribbon. Chesterfield (Liggett & Myers) inched closer to second place with a sales boost of 4-billion cigarettes during the year. Percentagewise, this means the "Big

Three" held 83% of total cigarette sales, as compared with 84% in 1947, and 82% in 1946.

• **Big Fourth**—Most significant change last year was Philip Morris' jump from a distant to a close fourth place; the company increased sales from 23-billion to more than 28-billion fags. P. M. has been channeling extra dollars into radio and press promotion of its "no cigarette hangover" theme. The policy apparently paid off.

• **Runners-Up**—Lorillard's Old Gold kept its fifth place spot with a 9.6% sales rise. And O. G. showed signs of a steady uptrend.

For three of the lesser brands—Pall Mall, Herbert Tareyton, and Kools—1948 was a banner year. Kools took the cake from all competitors in percentage increase; sales were up a cool 30%. Pall Mall and Tareyton both made big gains. When American Tobacco added Pall Mall and Tareyton sales to its Luckies, it came up with a total of 121-billion cigarettes for the year. In 1947, these combined brands totaled 117-billion.

Raleigh (Brown & Williamson) man-

aged to hold its own in ninth place. Ralceigh is going back soon to premium coupons (BW—Jan. 8 '48, p58) for the first time since prewar days.

• **Profitable**—The welter of statistics adds up to this: The entire tobacco industry will show a healthy net profit.

One reason was that during 1948 the "Big Three" did what they don't do very often: They raised prices (about eight mills per pack), and added a penny a pack to retail prices. The tobacco industry has probably had one of the smallest total price increases during and since the war of any manufactured goods. A major part of cigarette price rises in the past eight years came directly from jumps in state and local taxes.

• **Costs Up**—But cigarette manufacturing costs went up, too, last year—and faster than the selling price. The industry countered by stepping up output to absorb costs and put it in the clear.

High prices for leaf tobacco have been holding steady—\$48.40 in 1948 as compared with \$48.29 per 100 lbs. in 1947. The crop picture is bright: This year's estimated Burley crop is 75-million lbs. larger than last year's.

• **Stiff Competition**—With the "Big Three" grabbing an average 83% of all cigarette sales annually, the smaller manufacturers in the industry will have to keep on pitching.

Pending tax changes due to come up before the new Congress may give them a break. New cigarette taxes may be graduated or ad valorem (according to value and not to weight or quantity). Thus, a manufacturer would be taxed in proportion to retail price of his cigarettes.

Such a tax law would give manufacturers of lower-priced cigarettes a fighting chance to get in on the lush market that the "Big Three" now hold so tightly.

## P. & G. Delegates Its Radio Headaches

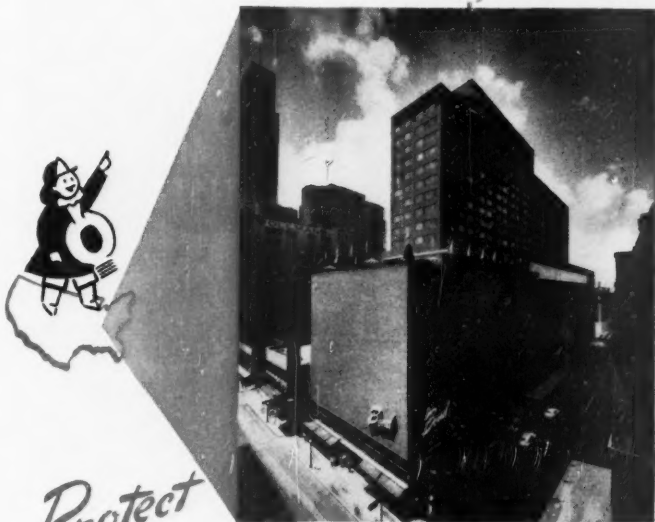
Procter & Gamble Co., of Cincinnati, is the largest single buyer of radio time. It produces 21 radio shows and one television program. This involves a complexity of special problems not found in other forms of advertising—dealings with actors, producers, writers, and a host of other personalities in the entertainment field.

• **New Subsidiary**—Now P. & G. has found a way out of its maze of entertainment problems. Last week it announced the formation of a \$1-million subsidiary, Procter & Gamble Productions, Inc.

The new company will handle the buying, producing, and entertainment elements in P. & G.'s radio, television, and motion-picture activities.

P. & G.'s ad department and its many

## a building of Distinction THAT'S SAFEGUARDED FROM FIRE BY "Automatic" Sprinkler



Protect  
YOUR INVESTMENT WITH "Automatic" Sprinklers  
FIRST IN FIRE PROTECTION

### TYPICAL "AUTOMATIC" SPRINKLER PROTECTED PROPERTIES

Industrial Plants  
Storage and Warehousing  
Mercantiles  
Piers and Wharves  
Aviation Properties  
Hospitals and Institutions  
Hotels and Apartments  
Schools and Colleges  
Offices and Public Buildings  
Special Hazard Occupancies

"Automatic" Sprinkler surveys and estimates are cheerfully furnished without cost or obligation.

A view of Cincinnati's Terrace Plaza Hotel Building will convince you of the important engineering advancements embodied in this multimillion dollar contribution to architectural progress. But the structure's forward-looking appearance is not alone evidenced in the brick and mortar of a modern exterior, or in the décor features of interior appointments. For, although scarcely noticeable, "Automatic" Sprinkler systems of protection stand guard over areas subject to the vulnerability of fire.

Aside from "Automatic" Sprinklers' advantages from a fire safety viewpoint, the financial considerations involved are undeniable. Insurance premium savings on this and most other types of "Automatic" Sprinklered buildings will, over a period of years, not only pay for the protection, but in addition, will provide a generous dollar return to the property owner.

You'll find it wise to investigate "Automatic" Sprinklers from both a safety and an investment point of view. Complete information is available through our nationwide network of district representatives. Write "Automatic" Sprinkler Corporation of America, Youngstown 1, Ohio.

## "Automatic" Sprinkler

FOR INVESTMENT PROTECTION

DEVELOPMENT • ENGINEERING MANUFACTURE • INSTALLATION  
OFFICES IN PRINCIPAL CITIES OF NORTH AND SOUTH AMERICA



**MORE  
SERVICE  
•  
MORE  
PROTECTION  
•  
MORE  
SATISFACTION**

## ... That's Concrete Construction

Concrete returns greater dividends three ways by giving more service, more protection, more satisfaction for your construction dollar.

**MORE SERVICE.** Concrete's great strength and durability give it a long life of usefulness—in pavements, buildings, farm improvements, sewers. . . .

**MORE PROTECTION.** Concrete's resistance to fires, storms and earthquakes safeguards lives and property in structures of many kinds. In pavements its gritty, skid-resistant surface helps prevent accidents and permits quick, life-saving stops.

**MORE SATISFACTION.** Concrete helps promote contentment and well being in many ways. You relax on a concrete pavement because it's safe and smooth-riding. You enjoy year-around comfort in a concrete house that's warm in winter, cool in summer and clean and dry at all times.

## ... and at What Cost?

You will like the economy of concrete construction because its long life and low maintenance cost, combined with its moderate first cost, give you **low annual cost**.

So whatever you build, use firesafe, durable, economical concrete. It will give you *more service, more protection and more satisfaction*.

## PORTLAND CEMENT ASSOCIATION

33 W. Grand Ave., Chicago 10, Ill.

A national organization to improve and extend the uses of portland cement and concrete . . . through scientific research and engineering field work

agencies will still be responsible for commercials, and will decide radio, TV, and what part movies shall play in over-all marketing strategy.

• **Property**—There was another reason behind this move: As various shows are developed, P. & G. feels it will acquire valuable entertainment properties which can best be handled by a separate entity.

P. & G. has done little up to now in the motion-picture field. But the new subsidiary will soon begin production on short advertising films. No long pictures are contemplated.

## MARKETING BRIEFS

**Lower prices,** keener competition, a slight increase in sales over 1948—that's the outlook for 1949 as expressed at the National Retail Dry Goods Assn. convention in New York City.

• **The parking problem** for Rich's customers will be over when the Atlanta department store completes a 44-story garage nearby.

• **Sefton Fibre Can** will soon make packages for frozen foods as well as for industrial equipment. The St. Louis subsidiary of Container Corp. has a 24-year lease (with option to buy) on Container Corp. in Seattle.

• **G. E.'s new TV tube** is 8½ in. in diameter, but probably won't cost any more than present 7-in. tubes. Face of the tube is glass; sides are metal.

• **Price cuts of 50%** will clear out inventories of standard 78-r.p.m. discs in New York City's Vim Radio & Sporting Goods Stores. "Revolutionary developments" in the record industry (BW—Jan. 22'48, p. 82) were the cause.

• **Grocery chains** earmark 17¢ out of every consumer dollar they take in to pay for the wholesale and retail services they render. Before the war these functions took 22¢ out of every dollar, says the Northwestern National Life Insurance Co.

• **Gamble-Skogmo's** sales during December dipped \$2.6-million below the previous December. Even so, the retail chain did a 1948 business of \$152-million—a 4.9% over-all increase over 1947.

• **Snow tire for bikes:** Goodyear has a junior version of the one for autos (BW—Jan. 8'48, p. 60), with heavy studs etched in both tread and shoulder.

*Announcing the merger of*  
**COMBUSTION ENGINEERING COMPANY, INC.**  
*and*  
**THE SUPERHEATER COMPANY**  
*under the name*

**COMBUSTION**

**ENGINEERING—**

**SUPERHEATER, INC.**



**PROPERTIES**

*Affiliated Companies*

Combustion Engineering Corporation, Ltd., Montreal  
 Combustion Engineering de Mexico, S. A.,  
 Mexico, D. F.  
 Combustion Engineering Ltda., Rio de Janeiro  
 Combustion Publishing Company, Inc., New York  
 The Superheater Company, Ltd., Montreal  
 The Superheater Company, Ltd., London  
 The Superheater Company, Pty., Ltd., Sydney  
 Compagnie des Surchauffeurs, Paris  
 Stein et Roubaix, Paris  
 N. V. Carbo-Union Industrie Maatschappij,  
 Rotterdam  
 Kohlscheidungs-Gesellschaft, m.b.H., Stuttgart

*Manufacturing Plants*

U. S. A.—Chattanooga, Chicago, East Chicago,  
 Monongahela, St. Louis  
 Canada—Sherbrooke, Quebec  
 Abroad—Manchester, Eng.: Paris and Roubaix,  
 France

*Offices and Representatives*

Principal cities of the U. S. A., Canada and Latin  
 America. Also London, Paris, Rotterdam, Hawaii  
 and Shanghai.

**PRODUCTS**

*For stationary and marine power plants*

Complete steam generating units comprised of all  
 types of boilers, fuel burning and related equip-  
 ment for capacities from 1000 to 1,000,000 lbs. of  
 steam per hr.

*For railroads*

Superheaters, steam driers, feedwater heaters, ex-  
 haust steam injectors and heater valves for steam  
 locomotives. Steam generators for train heating.

*For pulp mills*

Units for recovery of chemicals and waste heat.

*For process industries*

Mills, pulverizers, air separators and flash drying  
 systems for grinding, drying and separation. Pres-  
 sure vessels, columns, towers, tanks.

*For synthetic oil plants*

Steam generators, separately-fired superheaters,  
 gas generators, catalyst reactors.

*For municipalities*

Flash drying and incineration systems for sewage  
 sludge.

*For homes*

Automatic gas and electric water heaters. Soil pipe.

The close association of Combustion Engineering Company, Inc. and The Superheater Company since their affiliation in 1933 has provided the opportunity for long and careful study of the advantages that might be obtained by complete merger under a single management. The fact that a major part of the activity of both companies involved the manufacture of different but related components of steam generating units prompted the taking of some steps in the direction of merger shortly after affiliation. The resulting experience led to a continuing program designed to bring about ever closer coordination of staff and operations. Thus the complete merger, which became effective on January 1, 1949, was but the final step in the unification of two organizations long experienced in working together to achieve common objectives.

The new company will continue all past activities of Combustion and Superheater, as summarized at the left, and will be able to offer the combined facilities and services of both organizations on a world-wide scale.

B-283

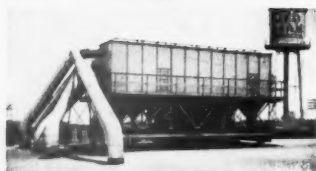
**Combustion Engineering-Superheater, Inc.**

200 Madison Avenue, New York 16, N. Y.

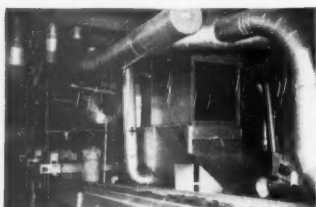
RAILROAD EQUIPMENT DIVISION—60 E. 42nd St., New York 17, N. Y.

# SLY

## PIONEERS AND LEADERS IN DUST CONTROL



SLY Dust Collector on roof of Pinkerton Tobacco Co. plant.



Tobacco cleaning machines with dust pipes to Collector.

● In its modern plant at Toledo, the Pinkerton Tobacco Company cleans and stems tobacco for sweetened scrap chewing tobacco. This would be a dusty operation—"air washing" the tobacco leaves—were it not for the SLY Dust Collector. Suction pipes connected to each cleaning and separating machine carry off dust blown from the leaves along with small, unusable tobacco particles to the SLY Dust Collector on the roof. The result is (1) improved quality of product (2) reduced manpower requirements for plant clean-up (3) dust-free working conditions.

Sly Dust Control Systems are used to control more than 100 kinds of dusts in all kinds of manufacturing operations. Ask for Bulletin 98 and tell us your dust problem. Our experience with thousands of installations is at your disposal.



**THE W. W. SLY MFG. CO.**  
4749 Train Avenue • Cleveland 2, Ohio  
PIONEERS in Industrial Dust Control  
Representatives in New York • Chicago • St. Louis  
Philadelphia • Minneapolis • Birmingham  
Cincinnati • Los Angeles • Rochester • Toronto

## FTC Speaks Out

Two forthright statements define the commission's official stand on quantity-discount limits and cosmetics demonstrators.

With the passage of the Robinson-Patman act in 1936, the Federal Trade Commission got authority to say a lot of different things to businessmen. But FTC's vocabulary often sounded much too limited. Its favorite phrase seemed to be: "Thou shalt not..."

● **Positive Statements**—Last year, FTC put a statement on the positive side of the ledger. In response to the clamor over the Supreme Court decision outlawing basing-point pricing for the cement industry (BW—Jun.12'48,p74), FTC issued a set of rules. The title: "Statement of FTC Policy Toward Geographic Pricing Practices" (BW—Oct. 23'48,p23).

Now FTC has issued two more statements with a positive ring. One has to do with fixing the size of quantity discounts sellers may allow on large purchases. The other proposes a set of conditions under which cosmetics manufacturers may supply "demonstrators" to retail outlets.

● **Up in the Air**—The quantity-discount question has been up in the air for 12 years—ever since the Robinson-Patman act gave FTC authority to fix the maximum quantities beyond which discounts could not be increased. Under Robinson-Patman, for instance, it might be legal to give a discount on carload lots, but not a higher one on trainload lots.

FTC first dipped into the quantity-discount question about 10 years ago, in a successful case against Goodyear Tire & Rubber Co. And last year, the Supreme Court upheld the commission's right to fix the maximum discounts that the Morton Salt Co. might grant (BW—May8'48,p21).

● **New Formula**—Now FTC has published a "Procedure for Fixing Quantity Limits." It's a sort of rule book for staging investigations into discounts. Tire makers and grocery manufacturers are the first to get the once-over:

The procedure calls for:

(1) "Nonpublic" investigation by the commission;

(2) Issuance of a "proposed" quantity-limit rule, if FTC finds that "available purchasers of greater quantities are so few as to render differentials... unjustly discriminatory or promotive of monopoly."

(3) Publication of notice of the proposed rule, and of a time limit for filing written objections to it or for filing requests to appear before oral hearings;

(4) FTC's final decision to establish—

or not to establish—the maximum quantity for discounts in the particular field.

● **Demonstrators**—FTC's other new publication is "Proposed Rules for the Cosmetics and Toilet Preparations Industry." In it, FTC gets down to brass tacks on the problem of manufacturers' employees who demonstrate products in retail outlets.

The problem has already received plenty of publicity because of a long-drawn-out FTC action against Elizabeth Arden, Inc. The commission charged that the cosmetic company was discriminating among its retail customers by providing some of them with people (or money for hiring people) to demonstrate its products. FTC finally won its point when the New York Circuit Court of Appeals ruled in its favor (BW—Jun. 22'46,p64), and the Supreme Court refused to review the case.

● **New Setup**—If the new rules are finally adopted, a manufacturer using "demonstrators" would have to:

(1) Figure what percentage of sales to dealers he will spend for demonstrators or other sales-stimulating services;

(2) Give each dealer the benefit of demonstrators' services (or substituted services) in proportion to the size of his sales to that dealer;

(3) Label his retail demonstrator with a badge or sign revealing that she's paid by him not by the dealer.



## Silken Sales Message

This promotion message serves a double purpose. A. M. Perlman, Inc., New York City rayon converter, is using it to promote: (1) a new line of blouses; (2) its Foto-Fab process of imprinting textiles photographically. Some 650 of these scarves, printed by Foto-Fab, were distributed to local resident buyers at a cost of \$1.50 each. Result: more than \$50,000 in orders in a week's time. Other Foto-Fab scarves are used in store displays for consumers.



*Easy on the Eyes*



EVERY CARE HAS BEEN TAKEN to make the new Marchant Figuremaster easy on the eyes. Dial figures are 40% larger and are in easy-to-read straight lines for all three amounts, notably the keyboard entry . . . clearly legible insignia, molded into the tops of keys and controls, cannot be effaced . . . all work areas are shadow-free. Designed to be the calculator most restful to the eyes as well as the most pro-

ductive of fast, effortless, accurate work, the Figuremaster measurably delivers more CPO.\* These and 14 other principal new features, combined with Marchant's traditional supremacy in *accuracy control, simplicity and silent-speed*, establish the Figuremaster as the world's foremost calculator.

\*Calculations Per Operator

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B1

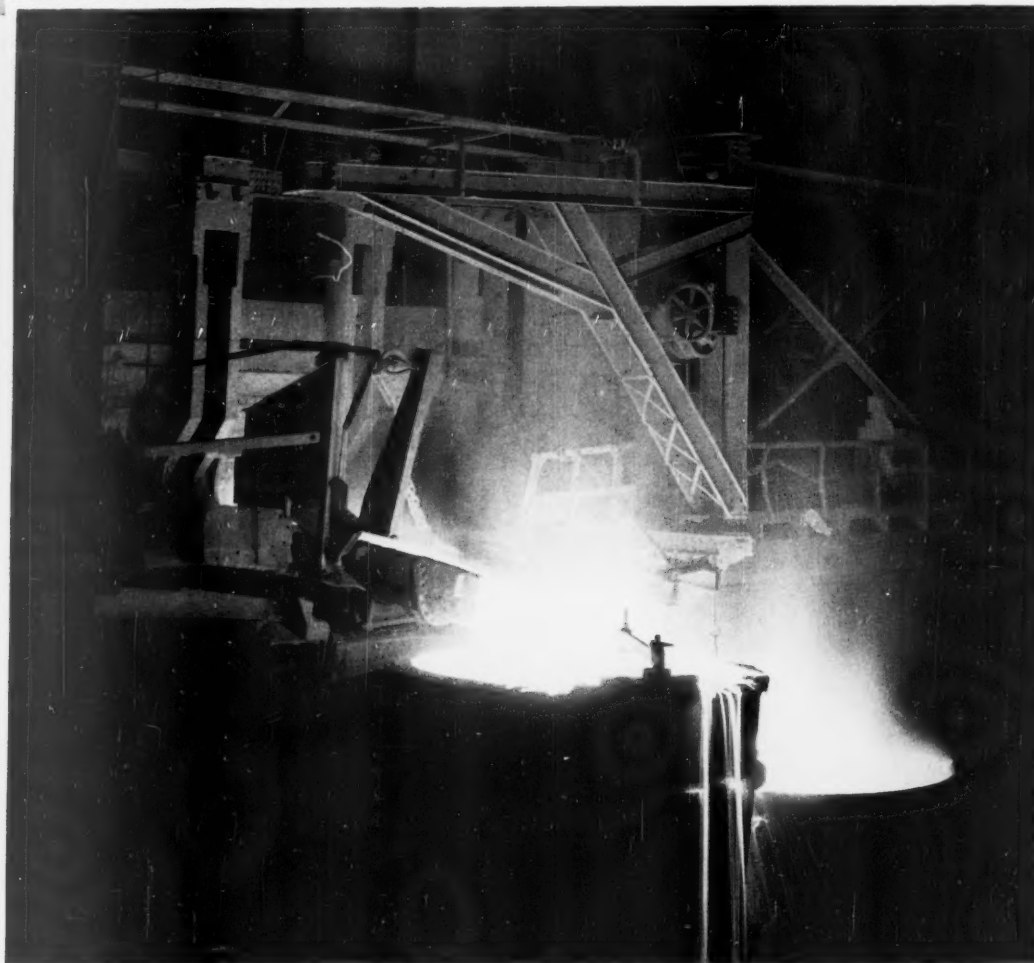
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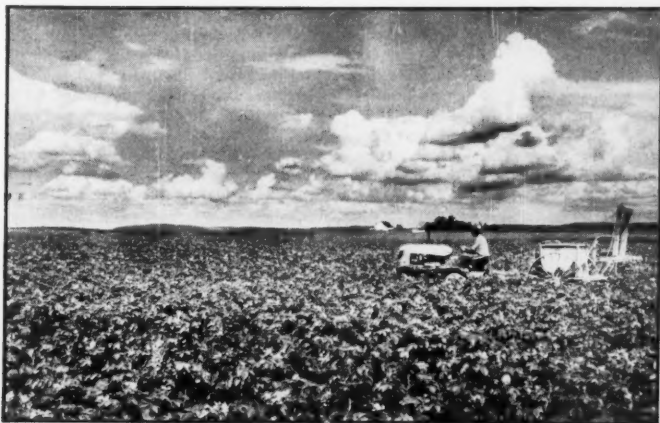
## **SHARON STEEL CORPORATION** *Sharon, Pennsylvania*



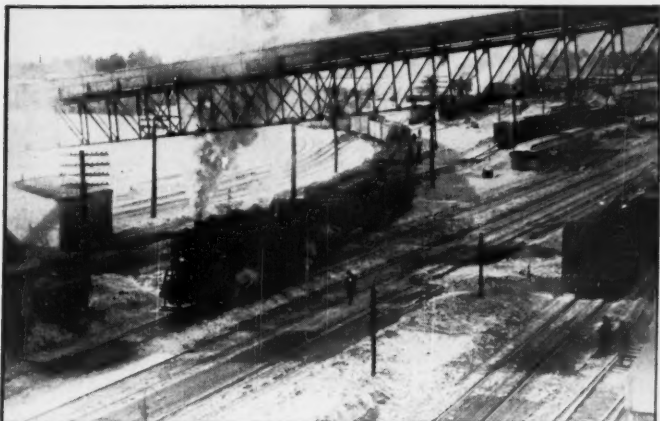
**SUBSIDIARY COMPANIES OF SHARON STEEL CORPORATION:** THE NILES ROLLING MILL COMPANY, NILES, O.; DETROIT TUBE AND STEEL COMPANY, DETROIT, MICH.; BRAINARD STEEL COMPANY, WARREN, O.; SHARONSTEEL PRODUCTS COMPANY, DETROIT, MICH., AND FARRELL, PA.; CARPENTERTOWN COAL & COKE CO., MT. PLEASANT, PA.; FAIRMONT COKE WORKS, FAIRMONT, W. VA.; MORGANTOWN COKE WORKS, MORGANTOWN, W. VA.

**DISTRICT SALES OFFICES:** CHICAGO, ILL., CINCINNATI, O., CLEVELAND, O., DAYTON, O., DETROIT, MICH., INDIANAPOLIS, IND., MILWAUKEE, WIS., NEW YORK, N. Y., PHILADELPHIA, PA., ROCHESTER, N. Y., LOS ANGELES, CALIF., SAN FRANCISCO, CALIF., ST. LOUIS, MO., MONTREAL, QUE., TORONTO, ONT.

# FINANCE



AROOSTOOK COUNTY fields send millions of tons of potatoes to market via the . . .



BANGOR & AROOSTOOK R.R. during winter months. That's the major reason why . . .

## Potato Road Has Bright Future

The Bangor & Aroostook figures it will be able to handle its maturing obligations. Freight is up, profits are good. New president is modernizing the line.

Carloads of potatoes are once more moving down the main line of the Bangor & Aroostook. Maine's canny farmers like to hold on to their crop until the following winter or early spring, so the traffic is just getting under way. It looks this week as though the 601-mile Maine railroad is going to carry a record tonnage of spuds this season.

• **Potato Prosperity**—That spells prosperity for the Aroostook, for the road taps famous Aroostook County, which

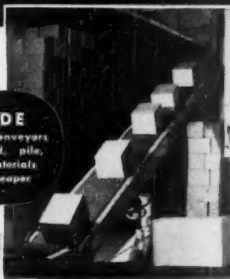
raises about a sixth of the nation's potato crop. So, potatoes are to the Aroostook almost what bituminous coal is to the Pocahontas lines. They account for nearly half of the road's freight revenues (BW—Aug. 11 '45, p. 70).

Last year the so-called "Potato Road" hauled a record 112,209 cars of freight, about 3,000 more than the 1947 record. Of last year's total, 51,079 carloads were potatoes. This helps to explain how the Aroostook ended the year with:

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For horizontal conveying, for handling from floor-to-floor, Farquhar Conveyors can be set up quickly, easily, to speed up handling operations, get better use of manpower, **cut costs.** Whatever your materials handling problem, see Farquhar first for the right installation for your job! **Mail coupon for the information you need . . . now!**

## Farquhar

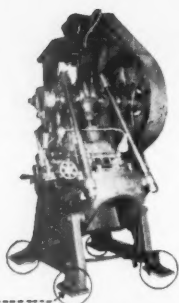
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NET INCOME of about \$15 a share on its common stock, highest in its history (table, below).

GROSS REVENUES of more than \$15.5-million, 28% higher than in the previous peak year of 1947.

This, in turn, leads to a question that greatly interests the line's shareholders: What will this mean when July 1, 1951, rolls around? That's the day when \$12.4-million of bonds—out of a total long-term debt now amounting to \$16.6-million—falls due.

• **Optimism**—The new president of the road, 41-year-old Curtis M. Hutchins, feels certain the Aroostook will come through with flying colors. He stresses the road's performance and its good credit. He thinks it will meet the maturities "without undue difficulty." But Hutchins frankly recognizes the complications ahead.

Here are the debts that will fall due in mid-1951:

(1) A \$3.8-million debt held solely by the Reconstruction Finance Corp. (That's what's left of \$4-million worth of 4% bonds the Aroostook had to sell to RFC in 1943 so it could pay off some \$3.9-million of 5% funded debt falling due then.)

(2) A publicly held 4% first-mortgage bond issue of \$8.6-million—of which \$4.8-million can't be called till maturity, and \$3.8-million which can be called only at 110% of par.

• **Confidence**—Here's the basis of Hutchins' confidence:

"If market conditions are such that an entirely new refunding issue cannot be sold at the appropriate time, we will offer a plan of exchange to our present bondholders; or proceed under the so-called Mahaffie act for an extension of the maturity of the existing bonds on terms acceptable to the bondholders.

"Certainly every bondholder can feel confident that on July 1, 1951, he will

have either his \$1,000, or a bond that at least equals—perhaps better—the security and return his present bond gives."

• **Market Values**—Recently, investors have shared Hutchins' optimistic (though cautious) view, for the line's publicly held bonds maturing in mid-1951 have ranged between par and 88% of their value in the past two years on the New York Stock Exchange. Now they're selling for around 95%.

The Aroostook's common stock is a different story. Last week it was being traded on the Big Board at around \$27—despite the earnings of \$15 a share. The reason for this is that dividends on the common had to be stopped nine years ago to conserve cash.

• **RFC Restriction**—Since 1943 there has been an added factor: While the RFC's bonds are outstanding, the Aroostook can't declare any preferred or common dividends without the agency's written permission. The fact that the line hasn't been allowed to pay common dividends has been a tough break for the investors; the earnings since 1941 have averaged about \$6 a share yearly.

The holders of the road's 38,280 shares of 5% preferred have come off much better. The restriction on dividends hasn't been applied to their stock—which is now selling on the Big Board for \$67 (\$7 above the 1948 low).

• **Lumber Declines**—As late as 1924, the 58-year-old Aroostook was still primarily a logging road. Forest products (chiefly pulpwood) are still important to the road, but far less than they once were. In 1947 they were responsible for 26% of the 3.6-million tons of freight carried by the Aroostook, but for only 11% of its total freight revenues. Potatoes in the same year contributed 32% of the tonnage hauled—and 48% of the freight revenues.

What's more, potatoes also have an-

## The B. & A.: How Potatoes Pay Off

	Freight Haul <sup>1</sup>	Gross Revenues	Fixed Charges	Net Income	Funded Debt <sup>2</sup>	Operating Ratio <sup>3</sup>
1929 ...	1,696	\$ 8,136	\$936	\$1,398	\$19,726	65.6%
1932 ...	1,814	5,912	808	701	17,356	66.4
1939 ...	1,779	5,119	772	216	18,746	74.3
1940 ...	1,867	4,871	757	126	18,681	75.7
1941 ...	2,052	5,666	748	654	17,593	68.0
1942 ...	2,182	6,770	718	843	16,643	66.0
1943 ...	2,526	8,705	622	1,222	17,226	60.8
1944 ...	3,062	10,025	568	974	13,851	60.5
1945 ...	3,525	10,512	548	747	14,053	73.9
1946 ...	3,462	10,169	542	454	13,786	88.6
1947 ...	3,632	12,136	552	1,165	14,457	73.7
1948 <sup>4</sup> ...	...	15,544	556	2,300	...	66.0

<sup>1</sup> Revenue freight carried; in thousands of tons. <sup>2</sup> Percent of gross absorbed by operating expenses (excluding fixed charges). Average of all Class 1 roads was 74% in 1926-35, 70% in 1936-45, 82% in 1946, 78% in 1947. <sup>3</sup> Includes bank loans when outstanding. <sup>4</sup> Revenues, net income are company estimates; other figures, BW estimates.

other, indirect effect on the Aroostook. On them depends, in large measure, the prosperity of Aroostook County. And the purchasing power of the county determines how much inbound manufactured goods and other high-rate freight the line hauls.

• **New-Style President**—For many years the railroad was personified by Wingate Cram, whose father built it. Cram, a big, colorful man, knew every inch of the line before he began his service with it in 1901. Cram, now board chairman, retired from the presidency last spring.

That brought in Hutchins, who made no claim of being a railroad man. Hutchins, a Vermonter, was graduated from Williams College in 1928, later studied forestry and eventually became one of the major pulpwood dealers in the Northeast. He has also been a director of bituminous coal companies, head of the War Production Board's pulpwood program, a Maine legislator.

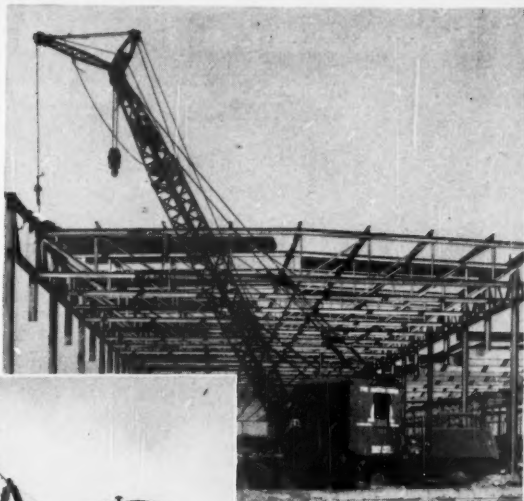
• **New Broom**—Hutchins operates on the premise that railroading is no different from other businesses—that what's good for one is good for another. This meant some reshuffling and streamlining as Hutchins has: (1) stepped up the road's modernization program; (2) reorganized administrative procedures and personnel; (3) pushed Maine-development campaign; (4) put new emphasis on promotion and public relations; (5) cooperated with other New England railroads in solving common problems.

This spring the road will be almost completely dieselized when General Motor's Electro-Motive Division delivers 12 diesel-electric locomotives. The road already has 12; with the other dozen it will need steam engines only during the peak potato shipments in the winter. Also on order are: stainless-steel luxury coaches for the Aroostook Flyer; 100 more side-discharge pulpwood cars which cut unloading time to minutes.

These purchases have been financed through equipment trust certificates. A \$2.1-million issue was awarded to Halsey, Stuart & Co. in November.

• **Public Relations**—Hutchins makes liberal use of public relations and promotion. To the outside world, he is pushing northern Maine on several scores. His road advertises the region as a good place to raise cattle and find minerals. The railroad also claims that Maine has "the nation's largest undeveloped stands of softwoods and hardwoods."

Hutchins keeps an eye out for the traveling public. His public relations staff has developed a keen nose for Aroostook news. The road is publishing an elaborate promotion piece. Hutchins has adopted a flashy new color scheme for his rolling stock (blue, yellow, and silver). And he has spruced up his timetables.



(Above) Bay City's current Model 180-T66 CraneMobile, Twin-Disc equipped, works for the Austin Company on a plant construction job near Kalamazoo, Mich.



(Left) This one-man excavator, built around 1923, is similar to the first Bay City machine equipped with a Twin Disc Clutch. Bay City Shovels, Inc., since has used Twin Disc Clutches exclusively on excavating and material-handling equipment.

## Judge Twin Disc by the companies it keeps

Bay City Shovels, Inc., uses Twin Disc Clutches exclusively on its excavating and material-handling equipment. Bay City used its first Twin Disc Clutch in 1923. Ninety-seven leading manufacturers of material-handling and earth-moving equipment find Twin Disc Friction Clutches and Hydraulic Drives efficient units for power transmission. You can judge Twin Disc by the companies it keeps. TWIN DISC CLUTCH COMPANY, Racine, Wisconsin (Hydraulic Division, Rockford, Illinois).



SPECIALISTS IN INDUSTRIAL CLUTCHES SINCE 1918





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PRODUCER  
OF HIGHLY  
PURIFIED  
WOOD  
CELLULOSE

The Board of Directors has declared a regular quarterly dividend of fifty cents (50¢) per share on the Common Stock, payable February 15, 1949, to stockholders of record at the close of business January 28, 1949.

EDWARD BARTSCH  
President

January 12, 1949

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## Factor Financing Spreads

Once confined chiefly to textile business, borrowing from finance companies has spread into many other fields. But false fears of impaired credit ratings still keep opposition strong.

The use of factor-financing in the textile business is nothing new. In fact, it was in that trade (particularly in the cotton-goods end) that financing of accounts receivable and merchandise stocks first really took hold.

• **Expansion**—Accounts receivable and inventory financing is no longer almost exclusively confined to the textile trade. Led by such finance-company giants as Baltimore's Commercial Credit Co. and C.I.T. Financial Corp. (already the nation's leading textile factors) this borrowing medium has been spreading further and further into other fields.

Commercial Credit, a pioneer in the non-textile factoring field, for example, reports that its accounts receivable-inventory financing has totaled over \$1-billion during the last five years. It has done a big chunk of this business with a wide variety of non-textile trades, and with both small companies and large corporations.

• **Good and Bad**—In the textile business, the use of factoring facilities seems to have no really unfavorable kickback on a borrower's credit standing. True, the collateral nature of its advances bars users of factor-financing from negotiating any unsecured help from their banks. But that's a minor matter because proceeds from their factor-financing should provide such borrowers with all their new-money needs.

But the picture seems to be a lot less rosy in other trades. In most non-textile fields, it is common to frown on a corporation that starts financing its operations via factoring mediums rather than through its banks.

• **Arguments Against**—Opponents of factor-financing have three main arguments against it:

(1) Its costs are too high for most corporations to bear.

(2) Its use is a confession of weakness bound to react unfavorably on a company's bank- and trade-credit standing.

(3) Discounting receivables tends to make a corporation careless as to the credit risk of its customers. It soon forgets that advances made on receivables that later can't be collected must eventually be repaid to the finance company.

• **Counter-Claim**—The finance companies have several good counter-claims.

Commercial Credit reports that such borrowers pay interest for advances on receivables only on a day-to-day basis, and only for money in active use. Moreover, only the exact amount needed is ever borrowed, and no commensurate

idle bank balances must be maintained while such advances are outstanding. Also, interest doesn't have to be paid on sums borrowed ahead for anticipated needs.

• **Low Cost**—Commercial Credit claims that these things keep their cost down. Many clients, they say, have found that only bank loans at around a rate of 4% would keep their borrowing costs comparable.

The company also denies that use of its factoring facilities harms a company's credit standing. On the contrary, it says, its borrowers—many of whom for one reason or another can't get orthodox bank loans—find themselves with a highly improved credit standing. Finally, the finance companies never reveal the names of the companies using their factoring facilities.

• **How It Works**—Here is how Commercial Credit operates when it agrees to make advances on a company's receivables:

Clients continue to pass on their own credits, make shipments on their usual terms, handle their own collections. Only copies of those invoices that they wish to finance are ever sent to the finance company. The borrower immediately gets a check covering the size of the advance earlier agreed upon.

Checks from customers covering invoices already financed are sent to Commercial Credit by the borrower. The latter then gets from the finance company the difference between the advance, plus the financing costs entailed, and the amount which the customer has paid for the goods.

• **Types of Loans**—The finance companies are willing to make advances on a company's entire list of receivables. They are also willing to consider requests for loans against both finished goods and raw materials. These loans would be liquidated from proceeds of receivables when later disposed of. Also, corporate clients can get self-liquidating, equipment-purchase loans to offset today's high operating costs by using modern, cost-saving equipment.

Many companies who could well use factoring-financing still have only the dimmest idea of what it is. That came out of a recent survey conducted by Imberman & DeForest, Chicago public relations firm.

• **Companies Opposed**—The officers of most of the 121 industrial companies contacted were completely against making arrangements with factors. In gen-

eral, they felt that using such loaning facilities would eventually (1) lessen their control of their companies and company policies, (2) completely undermine their companies' present independent character.

Interestingly enough, most of the companies surveyed appeared to be suffering from fiscal ills which factor-financing, might cure.

## FINANCE BRIEFS

**C.B.S. wants more cash** in reserve because it will probably have to spend heavily developing TV operations. So it has arranged a 15-year 3½% loan for \$5-million with Prudential.

**Rail carloadings** were off 11.2% from 1948 levels for the first half of January. But the second-half showing may look better: Bad weather cut loadings sharply that time last year.

**State bonuses** to veterans will probably cause heavy borrowing during 1949. Louisiana will soon publicly offer \$50-million of bonus bonds. And all-told the nation approved some \$415-million worth of them at last fall's elections.

**Commissions** on stock transactions at the New York Curb Exchange may go up an average of 13.1%. Members must say yes or no by Feb. 2 to this proposal by the Curb governors.

**Group-insurance plan** will be sponsored by the New York State Bankers Assn. It will cover 60,000 employees in member banks that in many cases are too small to get into established plans. Prudential will underwrite this one.

**Municipal tax rates** rose 6% in 1948. That was the average increase in 333 U.S. cities surveyed by the Bureau of Governmental Research. Assessed property valuations were also up 6% in the cities with over 300,000 population.

**New loans** on life-insurance policies came to \$420-million last year. The Institute of Life Insurance says loans outstanding at the year end totaled \$2.1-billion—actually only an increase of \$138-million because of the heavy repayment of old loans. Loans only represented 4% of reserves as against 21% in the record year of 1932.

**Standard Brands** may soon have to cut the recent \$2 annual dividend rate on its common. Wall Street hears S. B. didn't earn much over that in 1948. In 1947 it earned \$2.32; in 1946, \$4.18.



## his LIFE LINE was a Radio Wave

Freezing death cheated in a desolate mountain pass... Stranded by motor trouble at 20° below zero, a Washington State snow plow operator froze his fingers to uselessness trying to effect repairs. With numbed, clumsy hands he clutched the microphone of his Motorola 2-Way Radio. His pain-choked words took wings—and within seconds help was on the way!

Life saving is a familiar role for 2-way radio, but far more familiar is the job of saving man-hours and equipment for modern industry. Transportation, steel, oil, building

and many other industries rely on 2-way radio to expedite work—and are daily finding new uses for their newest tool.

Most of these industries depend on Motorola to design equipment they know will last longer and outperform all others. Careful comparison of design, features and construction, has proved to them that inspired engineering and craftsmanship in the world's largest 2-way FM mobile radio laboratory is their guarantee that the Motorola equipment they buy today will be years ahead of the field—for years to come!

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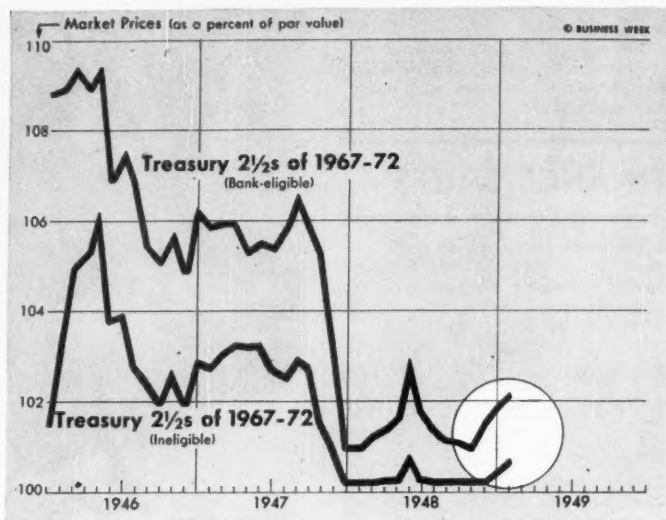
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## THE MARKETS



## Stable Interest Rates Ahead

That's what the rising price of governments implies. Reasons for the rise: Election ended uncertainty over support policy. And fear of business slump makes bonds look like better bet.

Company treasurers can figure on a fairly stable level of interest rates when they lay their plans for 1949 financing. The long downtrend in bond prices (rise in interest rates) seems to have ended at last.

• **Cage**—You can see this most plainly by looking at the two bellwether issues of the long-term government market, the 2½s of 1967-72. In the government market, prices reflect "pure" interest rates. There's no allowance for credit risks as there is in any market for corporate securities.

Through most of 1948, the 2½s, along with the rest of the long-term Treas-

uries, were resting heavily on the pegs established by the Federal Reserve System. If it hadn't been for the Reserve Board's determination to support the market, they would have broken well under par.

• **Pegs Still Stand**—But since the November election, the government market has pulled up off the pegs. The rise hasn't been spectacular. But it is enough to show that governments are standing on their own feet again instead of leaning on the Reserve Board's crutch.

The main reason for this is psychological. The election settled the question of whether the pegs were going to be pulled—if not permanently at least for a good long time. The market now takes the pegs as an accepted fact; it no longer worries about the possibility that governments might break par. (Rumors that Secretary of the Treasury John W. Snyder is about to quit make no difference in this situation. The Administration is pledged to a policy of bond support regardless of who is in the Treasury.)

But there also is another reason. Investors are less worried about inflation now than they have been at any time in the past two years. Instead they are

### Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
<b>Stocks</b>				
Industrial	151.1	152.0	149.3	140.3
Railroad	43.3	43.2	42.3	42.8
Utility	69.4	68.4	66.3	67.2
<b>Bonds</b>				
Industrial	97.0	96.1	94.8	96.6
Railroad	87.6	86.8	84.5	81.9
Utility	93.8	93.9	93.8	95.8

Date: Standard & Poor's Corp.

worried about the possibility of a business slump (page 21). Hence, bonds look better and better to them.

• **Permanent Fixture?**—Theoretically, this would be a good time for the Federal Reserve to get out of its commitment to support the market—if it wanted to. But the Reserve Board and the Treasury also have noted the signs of hesitation in business. They won't take the chance of giving it a shock by announcing that the government market will have to walk alone from here on.

All this raises a question that is bothering economists and investors more and more: How and when can the Reserve Board wind up its support policy? It won't take the step when the market is on the pegs, for fear bond prices will go under par. And it won't take the step when the market is above the pegs, for fear of scaring business. In other words, support of the bond market is likely to become a permanent feature of monetary and credit policy—unless someone dreams up another way out.

## Risk-Capital Coming Back?

Success of 1949 new-stock offerings—especially Bethlehem Steel—cheers Wall Street. Warning: Bessie's case wasn't typical.

Wall Street has been wailing loudly about a serious shortage of risk capital (BW—Nov. 27 '48, p. 88). Have its vehement claims been off base? Is the long-dominant new equity-capital market at last about to wake up?

Corporate executives—judging from the talk at recent business gatherings—have been worrying those questions like dogs with tempting bones.

• **Good Signs**—Here's what started them: (1) The warm reception that practically all 1949's new stock offerings have had; and (2) especially the spectacular success last week (BW—Jan. 22 '49, p. 103) of Bethlehem Steel Corp.'s offering of 627,960 shares of common stock.

In the "Bessie" deal, underwriters of the financing found themselves swamped with orders from the moment the subscription books were opened. It proved one of the fastest moving, out-the-window stock offerings the Street had seen in months.

What's more, the "buy" orders came not just from Manhattan or the steel company's home area. Investors all over the country were interested. Reports are that, geographically, the stocks won an abnormally wide distribution.

So apparently today's growing band of optimists about the nearby trend of the new equity-capital market have something to build on.

• **Warning**—This may not be conclusive. Some special factors combined to help push the Bethlehem Steel offering over with such a bang.

For one thing, at the time of the offering Bethlehem's earnings and prospects (like those of the whole steel industry) were unusually bright. Also, the stock market generally was showing its most encouraging price strength in many weeks.

Another point: The offering was handled by a large, widely scattered selling group. This meant that houses all over the country—not just a few in New

York—helped place the stock. And, even more important, dealers got a commission—\$1.10 a share—which encouraged them to put on some real sales steam.

A third factor counted, too. Bessie's was a negotiated deal. And before its offering there was no spirited bidding contest to blow up its sales price. Such bidding can boost prices to levels reflecting not market valuation but rather the do-or-die determination of an underwriting group to win the business from some rival syndicate.

• **Good Buy**—Instead, the stock was attractively priced—\$32.50 a share vs. the \$35 level prevailing on the Big Board when word of the new offering first came out. This proved less than four times the then estimated 1948 earnings on the stock, hardly more than twice the annual rate of profit estimated from fourth-quarter results. And it was only slightly more than half last June's \$60 book value of the shares.

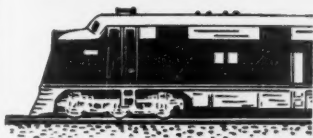
## BIG STEEL SPLIT-UP

The last week in January is steel week in the stock market—when steel company reports are traditionally issued. And for once you could tell the difference between it and be-kind-to-animals week or national rutabaga week.

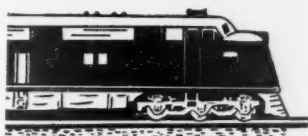
Giant U. S. Steel led out the parade by announcing a \$1 extra dividend on the common and a three-for-one stock split. Big steel's earnings for 1948 were \$129,552,424, against \$127,098,148 in 1947. And that was after \$55-million charged to special accelerated depreciation to cover today's replacement costs of plant and equipment.

But even this surprise package couldn't jolt the stock market out of its gloom. Big Steel shares rang up a gain of 4½ points the day after the news came out. But in spite of that the Dow-Jones industrial average was up only a fraction.

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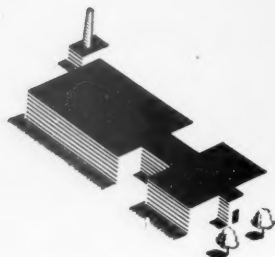
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# LABOR



MEDIATION of disputes by state aides: such as New York's Ben Roberts (center), helps...

## States Bolster Labor Peace

New York mediation board ceremonies hailing completion of 10,000th arbitration case spotlight trend toward more use of state conciliation machinery in dealing with industrial disputes.

Labor disputes make headlines. Peaceful settlements—whether by collective bargaining, mediation, or arbitration—are seldom spectacular. But they are the material of which labor peace is made.

• **10,000 Arbitrations**—This week, the New York State Board of Mediation announced completion of hearings in its 10,000th recorded arbitration case. The issue was the amount of a wage increase which should be paid to 25,000 building service employees in New York City—members of A.F.L. Both the union and the employer's Realty Advisory Board were committed to accept the arbitration decision as final.

The simple ceremony held to commemorate the 10,000th arbitration case focused attention on New York's 12-year-old labor-peace project. But it did more than just that: It brought into the spotlight a growing trend toward mediation and arbitration of labor disputes by state agencies.

• **T-H Influence**—For decades, many states have had laws authorizing state officials to undertake mediation, conciliation, or arbitration. But until the Taft-Hartley period, this authority had never been exercised much.

The change was encouraged by two

provisions in the T-H law: (1) the requirement that dispute notices be filed with state and territorial mediation agencies, as well as with the Federal Mediation & Conciliation Service; and (2) the stipulation that the federal agency avoid intervention in any dispute having only a minor effect on commerce, where state or other mediation services are available.

These provisions have prompted many states—and some cities, as well—to use existing mediation facilities.

Full-time, experienced mediators and arbitrators have been added to staffs, replacing—in many instances—political jobholders.

• **New York Pattern**—Many of the boards are patterned after the New York Board of Mediation—one of the pioneer labor-dispute projects in the country. State intervention in industrial disputes has been on the New York law books since 1886. In that year, the legislature established an arbitration-board system "for the amicable adjustment of grievances and disputes that may arise between employers and employees."

The administrative technique has been altered several times by legislatures, but the original principles set



for the board remain the same. They add up to a policy of maximum voluntary mediation and arbitration, minimum government compulsion.

• **Rules**—Board rules call for:

MEDIATION OR CONCILIATION if either party asks for it or on the board's own initiative.

ARBITRATION if both parties to a dispute ask for it.

INVESTIGATION of the causes of disputes—summoning witnesses by subpoenas, where necessary, requiring either party to produce books or records.

• **Fact-Finding**—The New York disputes-settling machinery was augmented in 1941 by provision for "boards of inquiry" to consider cases which the State Mediation Board fails to settle. The fact-finding process, recommended by a legislative committee headed by now-Sen. Irving Ives, doesn't limit the right of unions to strike, or of employers to a lockout; it is aimed only at presenting to the public the actual circumstances involved in a deadlocked dispute.

This fact-finding procedure has been used just twice in eight years. The State Mediation Board has been signally successful in getting settlements through voluntary procedures. This is reflected in state strike figures: The New York State Dept. of Labor recently reported that for the past six years New York has had "the most favorable record of any industrial state for the proportion of man-days lost as a result of industrial strikes—and the best record for peaceful settlement of labor disputes."

• **Arbitration**—The State Mediation Board handled, in 1947, more arbitration cases than did all other states combined. In 1948, a total of 1,499 cases were filed with the New York board, about evenly divided between mediation and arbitration cases.

The State Board of Mediation operates through four offices, in New York City, Albany, Buffalo, and Syracuse. Arthur S. Meyer, its chairman, is known nationally as author of the wartime "Little Steel formula." In addition to the seven board members, the staff includes 12 full-time mediators, four supervising mediators, an administrative staff of three, and a panel of public arbitrators.

• **Widespread**—As of last year, 31 states and three territories had laws designed to promote voluntary mediation and conciliation of labor disputes. In two others, Governors had empowered state departments of labor to engage in mediation activities. In four others, state departments of labor were offering mediation services as a part of their general labor activities.

The most active agencies included

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those in New York, Massachusetts, Connecticut, New Jersey, Pennsylvania, Michigan, Wisconsin, Minnesota, and California. Other states which have special boards handling mediation and conciliation include Maine, New Hampshire, Oklahoma, and Oregon. In most of the remaining states, mediation is conducted by (1) the commissioner of labor, or staff assistants assigned to mediation and conciliation activities, or (2) special mediators, or panels—named by the Governor or by state courts on a temporary basis, to handle specific cases.

Municipal mediation authorities have been set up in New York City, Toledo, O., and Louisville, Ky.

At the start, most state mediation agencies were regarded as political footballs, with members biased toward either labor or management. Now, as in New York, the agencies are generally accepted as nonpartisan and effective. They're getting more business because of that—and because usually the state agencies are right at hand, in a position

to act more quickly than the Federal Mediation & Conciliation Service.

• **Jurisdiction**—Some jurisdictional conflict between state and federal boards has resulted from their overlapping activities. There has been some competition for cases between zealous state and federal men. And, not infrequently, one party in a dispute has asked for federal intervention while the other has called in state mediators.

As a result of this "shopping around" for a mediator—or playing one agency against the other—efforts were made late in 1948 to end federal-state conflict. F.M.C.S. got agreements from almost all state boards outlining jurisdictions and formulating a policy of cooperation.

Changes in the T-H law, if they come, aren't likely to upset the trend toward more mediation work in states, or the present basis for federal-state cooperation. The former U. S. Conciliation Service, in the Wagner act period, also had working agreements with the states.



C.I.O.'s James B. Carey, Britain's Arthur Deakin, the Netherlands' E. Kupers are . . .

## Setting New Course for International Unionism

The Communist-controlled unions in Russia and its satellite nations are moving down one road. Leaders of the C.I.O. and other unions in the still-democratic countries are headed down another. This break in the ways may have important repercussions in the U.S.

The world's split between East and West has wrecked the World Federation of Trade Unions as a truly international body (BW-Jan.22'49,p110). The C.I.O. and other organizations have pulled out because the Soviets were taking W.F.T.U. in their direction.

Now organized labor in the countries of the West feels it needs a new international body. That's how the American scene may feel the change. The A.F.L. always held aloof from W.F.T.U. because it sheltered the Communist unions. But the A.F.L. may be a fellow-member of the C.I.O. in a new international organization. If that happens, it will be the closest A.F.L.-C.I.O. collaboration since the labor movement here was split in 1936. And if both groups like the way it works, they may become more closely associated in other fields.

## Studebaker Halts

But first strike shutdown in 16 years ends quickly in compromise. Issue involved piece-rates for new type of seat.

A 16-year record of labor peace was broken last week. A labor dispute brought Studebaker Corp.'s assembly lines to a halt.

It was the first time the plant had been shut down by a strike since its workers were first organized in 1933. But the stoppage was short-lived: More serious trouble was averted when company and United Auto Workers (C.I.O.) compromised their differences.

• **Piece-Rates Issue**—The one issue in the dispute involved piece-rates to be paid in the body-seat department for work on new, combination cloth and leather seats. The company discharged 43 men for refusing to handle the combination job. The workers contended—and they had U.A.W. backing—that the piece-rate wasn't right.

Employees of the entire body-seat department quit when the company refused to reconsider the discharges. The body and final assembly lines stopped, idling most of the company's 16,000 production workers.

• **Terms**—For the first time at Studebaker, U.A.W. started up the machinery for a formal strike vote—but the vote wasn't taken. Top officials of company and union quickly agreed that:

**Workers would return to production lines at the beginning of the next shift.**

Those discharged would get their jobs back without any penalties, under personal orders from Harold S. Vance, president and chairman of the board of Studebaker Corp.

**Cloth and leather** won't be combined in making auto seats until satisfactory piece-rates are worked out. Until then, seats will be all cloth or all leather.

**Negotiations on rates** will be handled by a committee of four union representatives and four company officials, headed by Vance. It will tackle piece-rates on the cloth-and-leather seats first. But it will also handle a broader and more important question: how piece-work standards can be revised, in the future, when production needs change.

• **Acceptance**—The union accepted the terms in an unanimous vote. But, just for the record, the union membership authorized leaders to "take a strike vote whenever necessary."

Previous disputes at Studebaker's South Bend, Ind., plant have led to small-scale, unauthorized walkouts—but never one that closed the plant.



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## Costs vs. Raises

Cleveland employers study ways to boost output, cut costs. Object: to get set for fourth-round wage talks.

What can you do to ease the impact of any new rise in wages? With fourth-round wage talks just around the corner, this is a big question. Many companies fear the net result of these talks will be to send labor costs up again this year. So employers are taking a new look at cost-control programs, as one way to hold down losses from such things as waste and operating inefficiencies.

• **Related Problems**—Of course, boosts in output per worker take some of the headaches out of wage boosts. Hence, in his prebargaining planning, the management man usually tackles this problem of output: Is there any way I can hike productivity to help pay the cost of a wage boost? On the answer may depend: (1) How much of a fight the employer will put up against union wage demands, and (2) how much of a wage hike he'll finally agree on.

• **What Cleveland Did**—Cleveland employers recently put the problem to the Associated Industries of Cleveland. They asked the association to help get together cost-control data that might help management set a sound bargaining policy.

The association did what it usually does on such a project: It found out—through a survey of a broad cross-section of industry—what Cleveland employers are already doing. It asked: What steps are you taking—or do you expect to take—to keep costs down, and productivity in a competitive position? • **Results**—Answers came in from 103 representative companies. They showed that:

**Improved machinery** is getting top-level attention in many companies as a way to speed up output. Inefficient, out-of-date equipment hikes labor costs by cutting down output per man-hour.

**More efficiency** in applying production controls is a target most employers are shooting for. They are working at it through educational campaigns among supervisory personnel. Prevention of material waste and product spoilage, among other things, can boost output per hour, cut the relative labor cost.

**Improved quality** of products, also through in-plant educational devices, is a major goal. Substandard work, from a machine or an employee, brings substandard prices—thus makes the relative labor cost higher.

Employer help in stepping up pro-

duction is being sought by many employers. Unions are being urged to help sell members on the idea that an all-out effort benefits both labor and management. The idea is that higher pay for workers must come from a higher company income—and you get that from greater production.

Streamlining of the organization is also being considered, though on a limited scale so far. Here the object is to cut down on nonproductive overhead. To do this, some companies are reviewing the need for departments created during the war. Now they are snipping off the frills. Outside subcontracting, a war-time practice to get higher production, is being tossed out in favor of home production unless it can show economies.

• **Suggestion Plans**—Of the 103 companies surveyed, 88% said they had adopted suggestion systems as one way to enlist employees' aid in getting production efficiency. For the most part, however, management was lukewarm about the effectiveness of suggestion plans in paring over-all costs. One factory superintendent reported employee suggestions had not contributed 1% to savings made in a company cost-control program, but that they may possibly heighten morale.

• **Contests Pay**—Several companies are finding that "reduce-the-costs" contests work better than suggestion systems. These contests are held two, three, or four times a year. Along with them, the employers run educational campaigns to make employees more aware of the production-cost factors that they control. Substantial rewards, or prizes, are given to individual workers, machine crews, or departments for savings they bring about in a given time.

## STATE LAWS LOSE OUT

Federal labor laws take precedence over state laws when they are applied to employers in interstate commerce. In so ruling this week, the U.S. Supreme Court reasserted an important point of law made two years ago—and one that's timely again, now that the question of state curbs on closed-shop contracts is being debated.

The court held, unanimously, that where state and federal laws touch on the same subject matter, but conflict, the federal law shall prevail wherever an employer comes under federal jurisdiction.

The decision upset a 1947 ruling by the Wisconsin Employment Relations Board, which certified an independent union as bargaining agent for employees of the LaCrosse (Wis.) Telephone Corp. The certification was challenged by A.F.L.'s electrical workers' union (which had bargained for the LaCrosse workers since 1941) and by NLRB.



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Humphrey of Minnesota



Neely of West Virginia

# New Senators Weight Labor

New Dealers all, three who take over from Republicans on key committee, help create a strong anti-Taft-Hartley bloc.

Two new senatorial figures, and one back for a fourth term after a 6-year absence, give the Senate Committee on Labor & Public Welfare an entirely changed complexion this year. They are: Hubert H. Humphrey from Minneapolis, Paul H. Douglas from Chicago, and Matthew M. Neely from Fairmont, W. Va.

• **Man of Ambition**—Humphrey, at 37, is tagged as one of the most ambitious men in the Senate. He is chairman of Americans for Democratic Action, an anti-Communist organization of red-hot New Dealers and a powerful influence in Democratic Party councils. Hyper-articulate and eloquent, he has been called "the Huey Long of the wheat belt."

He was born in South Dakota, studied and practiced pharmacy, and then went back to school to major in political science. He practiced what he learned in school in getting himself elected mayor of Minneapolis and then in beating Joe Ball for the Senate by one of the largest majorities in the history of the state.

Humphrey's chief identification in national affairs is with civil rights issues. He led the successful fight for endorsing Truman's civil rights program at the 1948 Democratic convention—a triumph that led directly to the formation of the States Rights (Dixiecrat) Party. Some of his critics are dubious as to how firm he will be in standing for the civil rights of union members against oppressive labor leadership when that issue is raised in Congress.

His probable ambition: Residence in the White House.

• **Old Hand**—Matthew M. Neely is 74 and an old hand on Capitol Hill. He served five terms in the House, three in the Senate, and made a comeback against Chapman Revercomb after taking a licking in 1942.

Like Humphrey—and Douglas, too—he at one time taught school. He—not uniquely—has had his ups and downs with John L. Lewis as he tried to satisfy the mineworker chief and still hew to the Democratic Party line. But he has always managed to have the voting support of the United Mine Workers.

There is little mystery or speculation on how Neely will stand on issues that come before the committee. He will go down the line with Truman, though if the President and organized labor should fail to see eye to eye on some matter, Neely might make a speech in support of labor's position.

His probable ambition: to share federal patronage in West Virginia with Senator Kilgore and eventually retire on a senatorial pension.

• **Nobody's Man**—Paul H. Douglas is a maverick. If anybody in the Senate today can be expected to keep alive the tradition of independent progressivism which was made lustrous in the past by such men as Norris, LaFollette, and Borah, Douglas is that man.

At 56, he leaves for the second time one of the most distinguished academic careers in America. A professor of economics at the University of Chicago, he was honored by both his liberal and



Douglas of Illinois

## Committee

conservative colleagues by being elected president of the American Economic Assn. He is the author of one of the basic economic treatises on wage theories and has written and lectured widely for both professional and lay audiences.

When Douglas was 50, he left the campus to serve as a private in the Marines. He bulldozed his way into that service in that rank over the objection of medical examiners and over the objection of the brass who thought he should be handed a commission. His enlistment culminated a long and painful retreat from the pacifism that was part of his Quaker faith. He has been consistently anti-Communist, spurning endorsement by the Wallaces who were prepared to support him if he would soft-pedal his criticism of Russia.

Douglas came out of the war with the rank of lieutenant-colonel and without the use of his left arm, which was hit by mortar fire at Okinawa. Next he served briefly in Washington as a special Presidential aide. He worked on the agenda for the ill-starred Labor-Management Conference of 1945, then went back to the university.

An independent Democrat, Douglas never got along with the Kelly-Nash machine, which ran Chicago. He got the nomination only after Kelly retired and in a year when it looked to the politicians as if the senatorial candidate didn't have a prayer. In Washington, he is also expected to go his own way—though he embraces many of the Truman policies and has some deep emotional identification with workers.

His probable ambition: to be as distinguished a senator as the last Douglas who represented Illinois in the Upper Chamber.



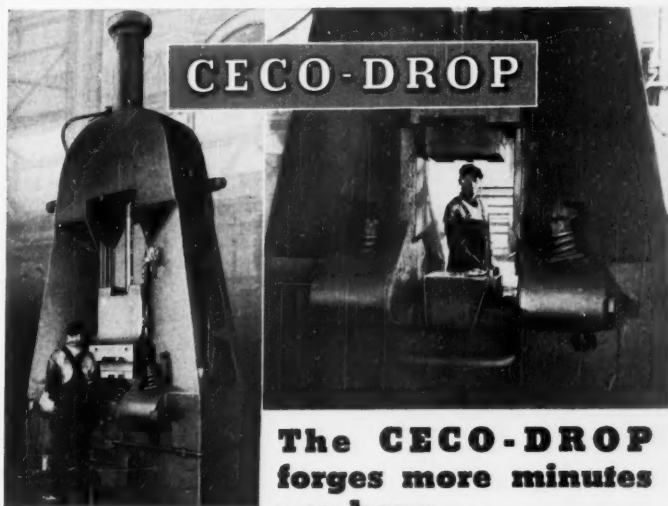
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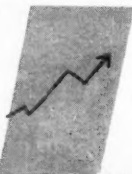
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## What's Happening to the Cost of Living

	Food	Clothing	Rent	Gas & Electricity	Other Fuels	Ice	House Furnishings	Misc.	Total Cost of Living
August, 1939 .....	93.5	100.3	104.3	99.0		96.3	100.6	100.0	98.6
January, 1941* .....	97.8	100.7	105.0	97.4		104.2	100.1	101.9	100.8
December, 1941 .....	113.1	114.8	108.2	96.7		111.3	116.8	107.7	110.5
December, 1942 .....	132.7	125.9	108.0	96.8		115.5	123.7	112.8	120.4
December, 1943 .....	137.1	134.6	108.1	96.0		122.4	127.9	118.1	124.4
December, 1944 .....	137.4	142.8	108.3	94.8		123.6	143.0	123.1	127.0
December, 1945 .....	141.4	149.4	108.3	94.0		126.1	148.3	124.8	129.9
December, 1946 .....	185.9	176.5	108.8	92.0		138.3	177.1	136.1	153.3
December, 1947 .....	206.9	191.2	115.4	92.6		162.0	191.4	144.4	167.0
January, 1948 .....	209.7	192.1	115.9	93.1		165.0	192.3	146.4	168.8
February .....	204.7	195.1	116.0	93.2		165.9	193.0	146.4	167.5
March .....	202.3	196.3	116.3	93.8		166.0	194.9	146.2	166.9
April .....	207.9	196.4	116.3	93.9		166.7	194.7	147.8	169.3
May .....	210.9	197.5	116.7	94.1		168.6	193.6	147.5	170.5
June .....	214.1	196.9	117.0	94.2	180.6	134.2	194.8	147.5	171.7
July .....	216.8	197.1	117.3	94.4	185.0	136.5	195.9	150.8	173.7
August .....	216.6	199.7	117.7	94.5	190.1	137.3	196.3	152.4	174.5
September .....	215.2	201.0	118.5	94.6	191.0	137.6	198.1	152.7	174.5
October .....	211.5	201.6	118.7	95.4	191.4	137.9	198.8	153.7	173.6
November .....	207.5	201.4	118.8	95.4	191.6	138.0	198.7	153.9	172.2

December, 1948 205.0 200.4 119.5 95.3 191.3 138.4 198.6 154.0 171.4

\* Base month NWLB's "Little Steel" formula. † Ice grouped with "other fuels" prior to June, 1948. Data: U. S. Bureau of Labor Statistics; 1935-39 = 100.

## LABOR BRIEFS

Philip Murray's illness may delay C.I.O. in shaping a joint approach to fourth-round wage bargaining. A bronchial ailment will keep the C.I.O. chief hospitalized for about a month. So this month's board meeting is off until March.

NLRB was bypassed when a local Midvale (Pa.) minister supervised voting at E. T. Lippert Saw Co. Employer and C.I.O. agreed to cut red tape, get a quick decision on the union's claim to collective bargaining rights. Union won, 79 to 3.

New credit union at Packard Motor is the 6,000th set up under the Federal Security Agency. Detroit C.I.O. workers formed it.

A.F.L. teamsters' drive to organize filling-station employees (BW-Jan. 8 '48, p96) will get aid from truckers. They say they won't buy gas and oil from nonunion establishments.

Rubber workers' bargaining demands for 1949 (including higher pensions) will be set formally next month. Union can reopen wage clauses of Goodrich, Firestone, U. S. Rubber contracts in spring; B. F. Goodrich contract runs out in June, talks start in April or May.

Coal mines were safer in 1948 than ever before—thanks mainly to "sheer good fortune," says the government. But there were still 870 deaths in soft-coal mines (1.46 per million tons), 145 in anthracite pits (2.45 per million). Non-fatal injuries came to 54,100 all told (83.1 per million).

Wage demands are being dropped by C.I.O. textile unions in northern cotton and rayon mills. That's the result of the New Bedford-Fall River (Mass.) arbitration ruling: a pay boost was justifiable but financially impossible.

Allis-Chalmers unions representing 22,000 employees in eight plants are getting set for fourth-round pay demands. Their contracts expire April 15. The C.I.O. electrical workers' union bargains for all except A-C's West Allis (Wis.) plant.

New pay hike: 9¢ hourly increase for A.F.L. employees of American Cyanamid's Calco Chemical Division.

The Pictures—Acme—19 (center), 74; Cushing—31; Harris & Ewing—78 (right), 79; Int. News—19 (right), 78 (left), 85; McGraw-Hill World News—86; N. Y. S. Pix Labor—72; Wide World—22 (top), 88.

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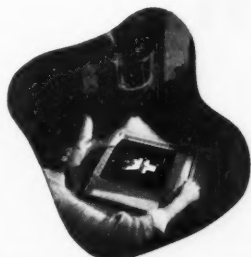


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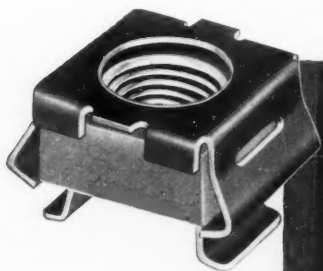
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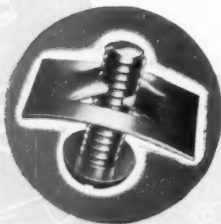
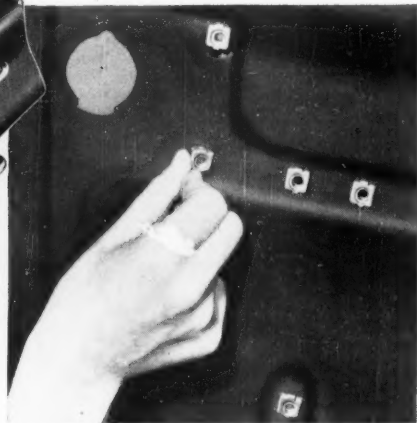
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# INTERNATIONAL OUTLOOK

BUSINESS WEEK

JANUARY 29, 1949



Moscow will be on the receiving end of the new East European Marshall Plan. The Kremlin has bullied its satellites into being the providers.

Russia is after both consumer goods and capital goods. This year the satellites will deliver a third to a half of their total industrial output to the Soviet Union.

The Soviets set up the Council for Mutual Economic Assistance this week to police trade with the satellites. Through the council, Moscow will make sure it gets its goods cheap.

The Kremlin is paying this price, however, to get more out of eastern Europe: It is letting the satellites trade with the West in a big way. East-West trade this year may top \$2-billion—\$500-million more than in 1948.

Moscow is taking a risk in letting the satellites become more and more dependent on western markets. But it looks for some real benefits from the arrangement, too.

Under the Anglo-Polish trade pact, for instance, British machinery will be traded for Polish food and raw materials. The British machinery will go to buttress Poland's economy, now overburdened with heavy Soviet demands. With Poland built up, Russia can continue to take its pound of flesh.

France and Britain will squawk at ECA's ideas about saving German plants from removal.

The report of ECA's Industrial Advisory Committee (the Humphrey committee) is on Secretary of State Acheson's desk. It asks the State Dept. to dicker with "interested powers" on paring down reparations as an aid to western European recovery. Formal talks begin next week.

The Humphrey committee seems to have marked 167 German plants for reprieve—out of some 400 on the "surplus" list. They are of four types: steel and steel products; chemicals; nonferrous metals; heavy machinery.

The French are willing to give in on 117; the British will go a bit higher.

Britain and France feel that ECA is leaving western Germany too much industrial capacity.

The hottest argument is over what Germany's crude steel capacity should be. The British and French say ECA's recommendations would keep a crude steel capacity of 15.9-million ingot long tons in western Germany. That would be the fourth largest in the world.

Chances are the British and French will lose out in the end no matter how the U.S. stands. Reason: It takes a long time to dismantle plants—especially steel plants. It has taken more than three years to dismantle half the 900-odd reparations factories in western Germany.

General MacArthur may have his hands full with Japan's new ultra-conservative government.

Last Sunday's elections were a crushing defeat to Japan's middle-of-the-road politicians. The Communists increased their membership in the Diet from 4 to 35. And former Premier Shigeru Yoshida's right-wing Democratic Liberal party won a solid majority—enough to form a one-party cabinet.

With Japan on a submarginal economy, occupation officials fear the right-wingers may stir up trouble among workers and farmers. Now that

# INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JANUARY 29, 1949

the middle groups, especially the socialists, are out of power, chances are they will feed the fires.

There is one bright spot. MacArthur will no longer have to deal with a coalition. He can hold Yoshida's government responsible for its actions.

•  
Watch for a switch in India's attitude toward foreign capital.

Prime Minister Nehru is ready to tone down his idea that Indian nationals should own 51% of each new industry. (No laws were ever passed to back this up.)

Nehru may hold out the olive branch to foreign investors at the opening of the budget session of the Indian Parliament next month. At the same time, many nationalization schemes may go out the window.

Foreign capital stands to get a better break—in "nonessential" industries, at least. But there will be no blanket ruling. Applications will be judged one by one. So will questions of getting profits out.

The U. S. Embassy at New Delhi says "a fairly large number" of U. S. companies is standing by for an official announcement.

•  
There are signs a recession is brewing in France. If it comes—and is a mild one—it might bring some stability to the French franc.

France sees little chance of a real depression. There are still too many shortages for that. But there may be enough deflation in store to get wages and prices in line at long last.

Here are a few of the signs: Vegetable prices are down an average of 53% on the farms; for the first time since the war, industrial prices are lagging some; unemployment is pushing the 100,000 mark—twice the 1948 peak.

And deflation is getting a push from another quarter. France's 100-billion franc reconstruction loan is almost sure to be oversubscribed. Even the speculators have decided that the new 5% bonds are a good buy.

•  
Whether or not France turns the recession into a good thing, depends on the political stability of the Queuille government.

The outlook hasn't looked brighter in a long time. French communists have been told to lie low for a while by the Cominform. And that takes a lot of wind out of de Gaulle's sails. Also, de Gaulle took a setback at last week's elections in Grenoble.

On the trade front there is another heartening sign for Queuille. Britain has agreed to buy more French cheese, wines, and other foodstuffs during the first half of 1949. London also will get more iron ore phosphates and timber from France's African territories. Paris regards the deal as a break in Britain's austerity front (BW-Dec. 18'48, p115).

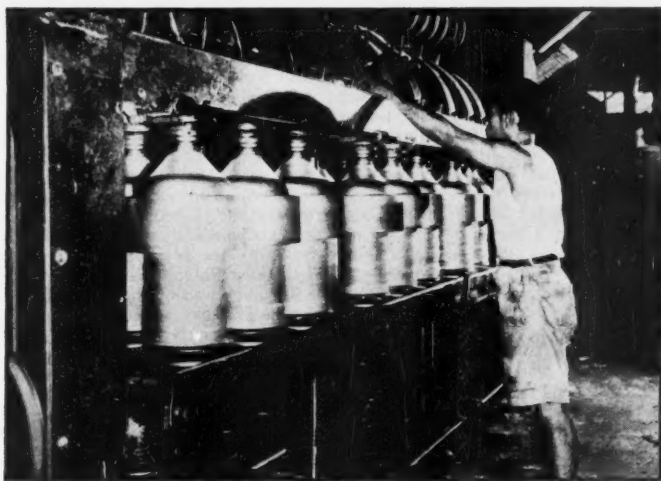
•  
Britain's chemical industry will be the first to feel the new Monopolies Control Act.

A search for price-fixing schemes will begin there.

The chemical industry may be on the carpet for more than one reason. The Laborites may be out to build up a case against it as a prelude to nationalization (BW-Jan. 15'49, p100).

The Monopolies Control Act is the first anti-monopoly law the British have had in over a century. The House of Lords 57 years ago decreed that trade combinations were no concern of the public. As late as 1925, this view was upheld in the British courts.

# BUSINESS ABROAD



HEMP production has fallen way off since the war, can't be counted on to solve . . .

## Problems for Philippines

Republic's economy is in danger of returning to prewar "normalcy"—which means a wide gap between rich and poor. To narrow the gap, government has instituted control of luxury imports.

MANILA—The new Republic of the Philippines is in danger of a return to prewar normalcy. And prewar normalcy meant the rich got richer and the poor got poorer.

Today Manila's streets are teeming with shiny new U.S. cars. The city's shops are stuffed with U.S. luxury goods—at prices roughly 50% higher than in New York. Outwardly, recovery from a disastrous war seems nothing less than remarkable.

• **The Great Dream**—But that is only 10% of the story. To many a Filipino, independence is still mainly a dream. He thinks that the islands are still tied too closely to U.S. apron strings economically. Prewar the bulk of new wealth created by U.S. investors went to a selected few. So many dollars poured into Philippine export industries that the best interests of the people of the islands suffered. All too often U.S. exporters took advantage of favorable trade terms to dump their produce on the Philippine market.

The result was a huge gap between the "haves" and the "have-nots" in the islands. Many Filipinos feel that not enough is being done to narrow that gap now.

• **Slow-Down**—Last week Philippine President Quirino acted to slow down

the Roman holiday: He put into effect a drastic import-control program. Starting Jan. 20, imports of a long list of luxury items (like cars and chewing gum) and imports of goods that can be produced in the islands (like cotton textiles and beer) will be limited to small quotas.

The import crackdown was a foregone conclusion. Almost everybody agrees that the Philippines have to start building a stable economy while U.S. aid dollars are still available. Some \$1.5-billion in war indemnities and direct aid have gone to the new republic since the war. The money has brought a high degree of physical recovery to the islands. But it has also brought an influx of highly questionable consumer-goods imports. In fact little more than 10% of the republic's postwar imports from the U.S. have been durable goods. Thus, there is all too little to show in the way of economic stability. And without that the Filipinos can hardly be expected to make a go of their newly won independence.

• **U.S. Worry**—The U.S. is no less worried than President Quirino. The present situation means that the biggest U.S. experiment in bringing democracy to the Orient is at stake. Washington knows that some changes have to be

made. One of these changes, as former Philippine Commissioner Paul V. McNutt pointed out, is to give the new republic greater freedom of economic action. McNutt claims that the islands are more dependent on the U.S. "than any State of the Union is economically dependent on the rest of the U.S."

Both Washington and the Philippine government are planning for the republic's economic emancipation. Filipino Finance Minister Cuaderno has drawn up an "outline of development projects" which calls for a \$1-billion outlay by 1952. The first target is to make the islands self-sufficient in food and to boost the production of the Philippines' traditional dollar-earning exports—coconut products, sugar, hemp, and tobacco. More than \$200-million is earmarked for overhauling the Philippine transportation and communication network. A \$50-million housing project is in the cards. And there will probably be about \$220-million worth of industrial expansion—including a boost for Philippine mines. But highest priority goes to agriculture.

• **Support**—For its part, Washington has tried to give more than dollar support to the Filipinos' economic problems. The Bell Trade Act of 1946, through a complex schedule of duty reductions, guarantees Philippine products a preferred position on the U.S. market through 1974—although absolute annual quotas have been set on sugar, cordage, and rice.

But by and large two hobbling amendments enacted by Congress at the last minute have eclipsed the Bell Act's advantages. Congress insisted that: (1) Convertibility of Philippine pesos into dollars must not be suspended without U.S. permission; and (2) the peso must be pegged at parity (50¢) for the duration of the Bell Act, unless the President of the U.S. approved a change. Both of these amendments were aimed at giving security to U.S. investors.

These amendments, while they went almost unnoticed in the U.S., caused a furor in Philippine politics. The parity clause called for an amendment to the Philippine constitution. Manuel Roxas, then president of the republic, was able to null the amendment through the Philippine legislature by holding out the hope of a great influx of U.S. capital to help build up the islands.

• **Caution**—But despite unprecedented security, U.S. investors have been steering clear of the Philippines since the war. Why?

First, because potential investors have a strong feeling that the new republic will swing toward economic nationalism. Many fear that the Filipino attitude toward foreign capital will change, and that government will get its foot in the door of private business more and more.

There is some basis for this fear. The

Philippine legislature passed a law last year putting drastic restrictions on non-Filipinos operating in the islands' industries. President Quirino vetoed it, but the law could come up again this year. And there is a lot of government in business in the islands. The government is the biggest sugar producer, owns textile, cement, food canning, and footwear plants. But prewar there was a lot of government ownership of Philippine business, too.

The second barrier is more immediate. The Filipinos want U.S. capital to build "new and necessary" industries in the islands—fertilizer plants, small manufacturing enterprises, textile factories, etc. As an added lure, the government has put a 100% tax exemption for these industries through 1950 into its law books.

But most U.S. investors are out for quick returns; so they have invested in things like Philippine sugar centrals, coconut oil refineries, and mines. The Filipinos feel that such investments do nothing to ease the islands' economic dependence on the U.S.

• **Expenditures**—The Philippine government figures that about \$200-million will be spent on "new and necessary" industries in the islands before 1952. The more U.S. investors are willing to

take on, the better the Filipinos will like it. But if U.S. capital balks, Manila experts are planning to do the job with local capital and foreign borrowing.

Philippine fish and Philippine timber will be the inspirations behind many new manufacturing ventures. The islands' total timber stand is estimated at 450-billion b. ft. Annual production now is about 1-billion b. ft. of timber and 300-million b. ft. of lumber. A lot of this timber could be turned into such things as paper, pulp, containers, and building materials. That would not only cut the islands' import bill but also build up a good market in the Far East.

Likewise, a bit of manufacturing would give local fish production a greater economic importance. Imports today are running at about \$15-million a year. But the domestic catch could easily fill the bill—given a few canning factories.

• **Mining and Minerals**—Mining is in for a small slice of the Filipinos' current five-year spending program—probably about \$33-million. Half of this will go into the Philippine gold mines; more than one-fifth into the copper mines.

Philippine minerals (big item: gold) brought in 30% of the export revenue before the war, but most mines were knocked out by the Japanese. Fair-sized

iron-ore, manganese, chrome, and copper deposits in the islands are still largely undeveloped. About 1-billion tons of 48% laterite iron ore are located in Mindanao. Best market for this would be Japan, if and when the Filipinos see fit to do business again with their former enemy.

• **Agriculture**—Highest priority in Philippine economic planning goes to agriculture. While about 35-million acres in the islands are suitable for cultivation, only 11-million are actually being tilled now. This is a pretty good guarantee that the Philippines can feed themselves whenever they want to tackle the problem. Yet in 1948 (as well as in 1947) the Philippines imported about \$50-million worth of grains and flour.

The Philippines used to be net food importers largely because the arable land was exploited almost exclusively for agricultural exports. These brought in about 75% of the annual export revenue (1938 total was under \$200-million). Now they bring in almost 90% on an export total of about \$350-million.

• **Export Products**—But with plenty of land to spare, the Philippine government plans to channel a good deal of money into export products. It will have to if the islands are to have a balanced trade with the U.S. Estimated trade deficit with the U.S. since 1945 is \$760-million. True, this is amply covered by U.S. aid dollars.

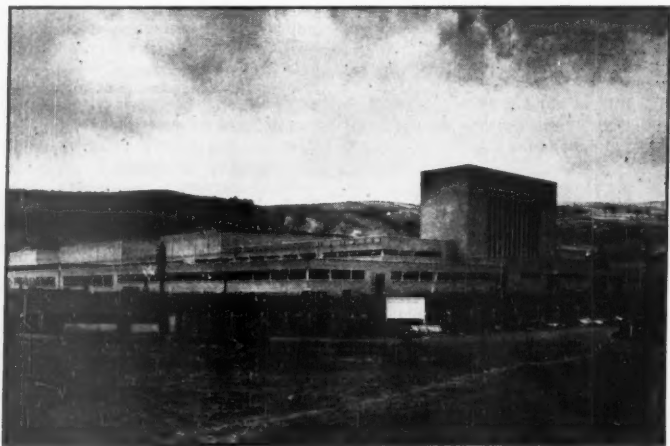
But prewar Philippine-U.S. trade was about in balance. And dollars won't be given out forever. So the Philippines will have to push their dollar-earning capacity to the limit.

• **Coconut**—With one exception the war crippled the islands' big agricultural exports. The exception is the coconut whose byproducts brought the Philippines an estimated \$275-million last year. It seems coconut trees grow in spite of war. Only coconut oil production is below prewar. Much pressing equipment was destroyed by the Japanese.

Other big agricultural exports fared much worse. Philippine sugar, which brought the islands about \$50-million a year before the war, only appeared again on the world market last year. Then shipments amounted only to about \$11-million. But the U.S. has guaranteed the Philippines an absolute sugar quota through 1974. So chances are the industry will make a hefty gain this year.

• **Hemp and Tobacco**—Abaca (Manila hemp) production recovered a bit in 1947, but fell off again last year. The Filipinos, anxious to take advantage of a good market, have been overstripping their land.

Tobacco, which accounted for 5% of the Philippines' prewar exports, has been slow to recover from the war. In 1947 exports accounted for less than 1% of the total.



## Modern Nylon Plant at Work in Britain

The pride of the British textile industry is this new \$32-million nylon plant of British Nylon Spinners, Ltd., at Pontypool, Wales. The plant, completed last year, should be in full production by the end of 1949. It will turn out 10-million lb. of nylon a year.

Right now production is being held down to about a third of capacity. The wrench in the works is the lack of nylon polymer, which British Nylon Spinners has been getting off and on from du Pont, in the U.S. The new polymer plant of Imperial

Chemical Industries, Ltd., at Billingham will break this bottleneck when it gets into full production this spring. (I. C. I. and Courtaulds—big textile maker—each have a 50% interest in British Nylon Spinners.)

The Pontypool plant is designed on up-to-the-minute lines, has the latest British machinery. It will employ 2,000 persons in three eight-hour shifts. Most of the workers are new to the textile trade; many are ex-coal miners. They have been trained especially for nylon production.

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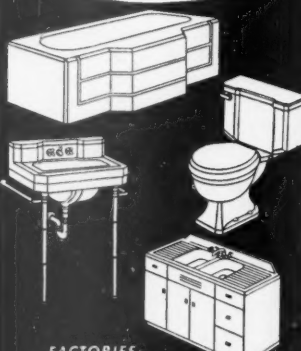


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## Change in Pattern?

U. S. firm and Brazil's Para State form electric-power utility. May foreshadow less U. S. control of Brazil power.

In Brazil, electric power is hardly a home-grown industry. Utilities owned and operated by U. S. and Canadian companies furnish much of the power there, as they do in many Latin-American countries. In Brazil, they supply at least 70%.

• **Pattern Shift?**—This week, in Belem, Brazil's third largest city, in the State of Para citizens saw signs that the industry pattern was veering—just a bit. Cause of this slight shift was a newcomer to the international engineering game, American Pacific Industrial Corp., New York.

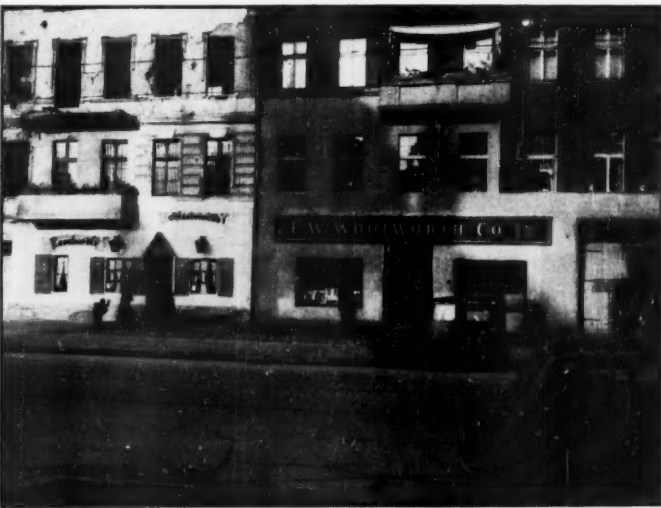
What the company did look at first glance like the familiar routine. It installed the first standby diesel power unit (a converted U. S. war-surplus marine engine) in Belem's new power program. Over the next four years American Pacific is out to boost Belem's power capacity from less than 1,000 kw.

to about 18,000 kw. at a cost of \$4-million.

• **Home Rule**—The difference will show up in the meantime. The U. S. company plans to stick around—but only as a minority shareholder in a new utility company for the State of Para (of which Belem is the capital). And local Brazilian capital will control the new company.

American Pacific's president is John W. Foster, 34-year-old ex-G.I. He hopes to establish a pattern of U. S.-Brazilian partnership in power development. He figures: (1) Brazil will need plenty of new power to develop its many industrial possibilities; and (2) sooner or later, Brazilians are going to demand control of their own utilities. Foster says that Brazilian businessmen can run their own utilities now, and that they resent being considered a "bad risk" by U. S. companies.

• **No Hurry**—Right or wrong, Foster's convictions have already withstood a pretty rough test. It happened last June, just a few months after American Pacific and the State of Para had signed their contract. The jolt came when Foster found that the state treasury had only a fifth of the money the contract called for. To get past this roadblock, Foster had to prod leisurely Brazilian



## Woolworth Open for Business in Berlin

Berliners in the British sector are shopping at an old landmark these days. F. W. Woolworth Co., G.m.b.H. (97% owned by the U. S. company), is back in business after being bombed out. All merchandise sold is made in Germany.

There are 44 Woolworth stores now operating in Germany—some even in the Russian zone. Before the war there were 82.

Prewar, the U. S. company had \$11.5-million invested in its German branch. In 1938 this would have netted the U. S. owners about \$2-million in dividends and undistributed earnings—except for the fact that currency restrictions did not permit transfer of the money. In 1941 the German investment was written down to \$1 on the U. S. company's books.

government officials from the Para state legislature all the way up to President Dutra. It took an emergency session of the Para legislature—and finally a loan from the Brazilian government—to turn the trick.

Foster has no illusions about the pace of business in Brazil. But he still plans to see the Belem project through.

Right now organization of the new utility company is being held up over another question: compensation to the British company that used to own Belem's power utility. The British equipment deteriorated so far that ever since 1945 Belem has been partially blacked out. In 1947 the Brazilian government took over operations.

• **Consultant**—When the new company is sound, American Pacific will have something of the status of a consulting engineer. It will have to do only with the technical operation of the power plants. For insurance, Foster has insisted that his engineering decisions be final.

Foster has his eye out for other jobs in Brazil and in other parts of Latin America. He also has his fingers crossed over some contracts in the mill with the Chinese government. Head of American Pacific's engineering staff is T. L. Shang, German-educated son of one of Chiang Kai-shek's generals.

• **Shoe-String**—Foster, Alaska-born, is a graduate of Iowa State School of Agriculture. He started American Pacific on a shoe-string soon after V-J day. He and some of his army colleagues put up the initial capital out of their own pockets.

First jobs came from the Dept. of Agriculture's Rural Electrification Administration in the U. S. American Pacific has also supplied a power system to the island of St. Croix in the Virgin Islands.

## ECA'S LEDGER

### Here's a Pretty Mess

Belgium right now is the No. 1 headache for the Organization for European Economic Cooperation. The country is in the throes of its worst case of unemployment since the depression. Yet because Belgium has made the best postwar gains in western Europe (production is now about 25% above 1938), OEEC is thinking of lopping \$100-million from the country's \$250-million aid request for 1949-50 (BW—Jan. 22 '48, p. 123).

Belgium says it has to keep up its current high rate of imports of raw materials from the U. S. to take up the unemployment lag—even though it will probably mean a \$346-million trade

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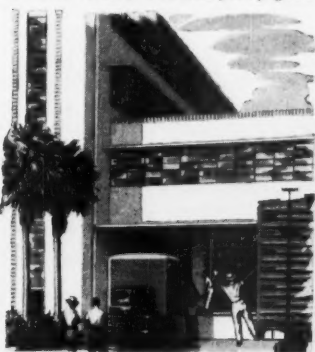
You'll see heavy fuel bills, snow-blocked highways, stalled trucks and trains. You'll see idle machines and lost man hours because workers are absent due to winter ills and transportation tie-ups. Converted into dollars and cents, these are costly, profit-taking factors.

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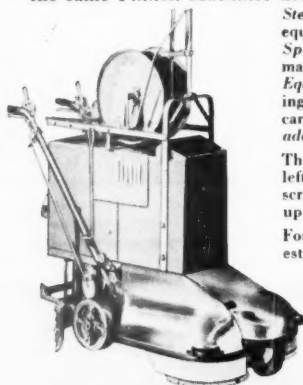
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deficit with the U. S. after Marshall aid ends in 1953. OEEC says that Belgium must cut its U. S. imports to contribute toward the general solvency of western Europe in 1953. Right now OEEC planners see a western Europe deficit of \$3-billion with the U. S. after ECA closes shop.

The Belgians answer that they plan to cover their 1953 trade deficit by selling more to other western European nations—just as Belgium did before the war. But every OEEC member plans to sell more to western Europe than western Europe plans to buy. Britain, for instance, hopes to have a \$47-million trade surplus with western Europe in 1953. Prewar Britain had an annual trade deficit of about \$600-million.

While OEEC tries to clear this muddle, the Belgians have to combat confusion on another front. Belgian Communists have opened a drive to convince idle Belgian workers that their plight is due to the Marshall Plan. They are plugging this line: Russia is willing to supply Belgium with food in exchange for Belgian products now lying around for want of a European market. The price: Get out of the Marshall Plan.

#### Other Developments

**50-50 Clause.** Last week Paul Hoffman extended to Apr. 1 ECA's cut-off date for adhering to the 50-50 shipping clause. After that, says Hoffman, unless Congress decrees otherwise, ECA shipments will go to the lowest bidder, regardless of nationality.

Chances are that by Apr. 1 Congress will have decreed otherwise. Three bills are pending before the House of Representatives to continue the present policy of loading half of ECA's shipments from the U. S. in U. S. bottoms.

**China-Aid.** ECA is still taking its cue from the State Dept. on continued aid to China. As things stand now, ECA will keep right on distributing stocks of food in Communist-held areas. Food supplies to Nationalist areas will be replenished when they give out—as long as the money lasts; only \$5-million is left in China's commodity aid fund.

ECA will continue its project-engineering work in non-Communist areas of south China.

**Productivity Council.** ECA will play host to about 35 teams of British industrialists visiting U. S. plants this year. The teams were organized by the Anglo-American Council on Productivity. The idea is to give British industry the benefit of American production experience (BW-Dec. 4 '48, p. 113).

First British team is scheduled to arrive here around Feb. 15 for an eight-week tour. Like other teams, it will have 15 members, equally divided among supervisory grades, technical grades, and production workers.

# U.S. Down Under

Australian producers make U.S. and British-designed goods under license; capital investments discouraged.

MELBOURNE—Since the war, Australia's Labor government has looked kindly on Australian manufacture of U.S. and Canadian goods—up to a point. It has welcomed applications by Australian concerns to make such goods under license, but it hasn't been too keen on direct U.S. capital investments.

The Australians reason this way: License agreements entail a relatively short-term and stable dollar liability. Usually the local manufacturer pays 5% of the factory value of the article over a certain period of production. It is pretty easy to judge in advance how deeply these royalties will cut into Australia's tight dollar budget.

On the other hand, the Australians consider direct capital investments a much heavier, more erratic, and more permanent drain on their dollar supply. A U.S. firm that builds a plant Down Under figures on making profits and sending dividends back home.

Through licensing agreements a goodly crop of U.S. and Canadian-designed goods has bloomed in Australia since V-J Day. Three years ago a private firm, Overseas Corp. (Australia), Ltd., was started with the express purpose of trading in U.S. and British manufacturing licenses. More recently, this organization has set up factories of its own to exploit foreign licenses.

Here's what some of the Australian firms are doing under U.S. and Canadian licenses:

**Euston Lead Co., Ltd.**, Melbourne, has the rights to the white lead manufacturing process of Glidden Co., Cleveland. The Australian firm covers the southwest Pacific with sales franchises.

**Industrial Steels, Ltd.**, Lidcombe, New South Wales, will make castings under license from National Malleable & Steel Castings Co., Cleveland.

**Electronic Industries, Ltd.**, Melbourne, is spending \$65,000 on U.S. equipment to expand production of radio parts under license from Hazeltine Electronics Corp., New York.

**A. G. Healing, Ltd.**, Melbourne, is tooling up to make washing machines on license from Thor Corp., Chicago.

**Pyrax, Ltd.**, Melbourne, has franchises from the Armour Research Foundation, Chicago, and from Utah Electronics (Canada), Ltd., Montreal, to manufacture magnetic wire recorders. Pyrax also started production of Flex-Seal pressure cookers under license from Vischer Products Co., Chicago.

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# THE TREND

## Who Will Build the Houses?

The postwar housing boom is expected to continue through 1949. Experts estimate that residential building for the entire year will total 850,000 to 950,000 units. During 1948, the total number of new non-farm dwellings started was roughly 925,000. That was the biggest home-building year on record except for 1925.

Private builders found out last year that the market for higher-priced houses is losing strength. Therefore, they are talking about a switch this year to construction in the under-\$10,000 bracket (BW—Nov. 27/48, p19). This shift to low-cost units will help to ease the pent-up demand for low-cost housing. That is the kind of housing which the government says is badly needed, and which the Administration says it intends to encourage.

That leads up to an important question: Who will build the houses this year and in the future? Private builders have plans to build a great number of homes this year in the lower-priced field. They may be hampered in those plans, however, if the government decides to give preference to public housing projects.

There are several bills now in Congress which call for putting millions of dollars into housing. President Truman has asked Congress to enact a law providing for 1-million low-rent public housing units in the next seven years.

Is that much federal participation in housing desirable and necessary? If not, how much is? There is general recognition that slums should be cleared and that decent housing should be provided for dislocated persons in those areas. But everybody dissatisfied with present living quarters should not expect Uncle Sam to provide beautiful new homes. The great majority of people will still have to rely on new housing provided by private builders, private funds, and private enterprise. Truman agrees that most of the houses we need will have to be built by private enterprise without public subsidy. But he asserts that the industry is rapidly pricing itself out of the market by producing too few rental units and too large a proportion of high-priced houses.

### Private Building Record

We would like to point out, however, that things are not so black as they seem. First, compare the housing record after World War I and after World War II. Next, compare the U. S. housing experience with the British.

The private builders in this country have done a remarkable job since the war in adding new housing units. The record is much better than it was after World War I. Construction of homes had fallen almost to zero during that war, too. As a result, there was an acute housing shortage. New building activity had barely got under way before it was reduced sharply by rising materials and labor costs. Not until the postwar depression began in the latter half of 1920 did building rise as prices fell.

Lower costs resulted in a steady increase in construction until the 1925 peak; it continued on a high plateau for several more years.

Since World War II, on the other hand, the number of new dwelling units has increased each year. New construction may have been affected somewhat by the high cost as well as the scarcity of building materials and building labor. But the high cost of construction has not been a big enough obstacle to prevent a postwar housing boom.

### How the British Did

By contrast, the British have had a much harder time. To begin with, England had a more critical housing shortage than did the U. S. at the end of World War II. It had been made more acute by wartime destruction of homes and almost complete lack of new building while the war was on. The British government set an immediate goal for emergency housing of 750,000 units, and a longer-run goal at upward of 2-million units. The British tackled this problem by virtually taking over the housing industry late in 1945. This was not so much of a shock as it would have been in the U. S., for the British have long been accustomed to large-scale public housing.

Local authorities had been set up under the Housing & Town Planning Act of 1919, to supervise the building of homes for low-income groups with the aid of public subsidies. This program was steadily expanded during the years between the two wars.

When World War II ended, the British continued to seek a solution of their housing problem through a semisocialist program. The government took over complete control of construction materials by making itself the sole customer of the private producers. Building materials were supplied to local authorities and to authorized builders from this central government pool. Private builders do most of the actual construction. But only 20% of it is on their own initiative; the other 80% is under closely regulated government contracts which control the type and the cost.

The British record on housing so far has not been good. The goals established have not been reached. And, it is reported, private builders have produced more permanent housing on their own, within their smaller allotment, than have the local authorities responsible for the greater part of the program.

On the basis of the British experience, we see a need for caution in Washington before plunging the government deeply into the housing business. And, on the basis of our building record, we see a reason for giving private enterprise a continued opportunity to do the job. That opportunity is a valuable chattel; its value can be enhanced or lowered by the kind of performance the building industry puts on in the future.





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